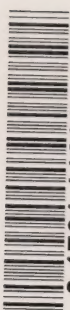


CANADA MORTGAGE AND HOUSING CORPORATION

2009-2013

# SUMMARY OF THE CORPORATE PLAN



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Library and Archives of Canada Cataloguing in Publication

Canada Mortgage and Housing Corporation  
Summary of the Corporate Plan, 2009-2013/Canada Mortgage and Housing Corporation

*Ce document est aussi disponible en français.*

Title on added t.p.: Résumé du plan d'entreprise, 2009-2013.

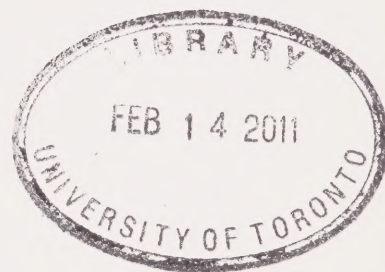
Also available on the Internet.

ISBN 978-1-100-12206-9

Cat. No.: NHI-5/2009E

I. Canada Mortgage and Housing Corporation. 2. Housing policy--Canada.


I.Title. II.Title: Résumé du plan d'entreprise, 2009-2013



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Printed in Canada  
Produced by CMHC



# 2009-2013

## SUMMARY OF THE CORPORATE PLAN AND AMENDMENTS THERETO



### INCLUDES SUMMARIES OF THE FOLLOWING:

2009 OPERATING BUDGET AND AMENDMENTS THERETO

2009 CAPITAL BUDGET FOR FURNITURE, EQUIPMENT  
AND BUSINESS PREMISES AND AMENDMENTS THERETO

2009 CAPITAL BUDGET FOR LOANS AND INVESTMENTS  
AND AMENDMENTS THERETO

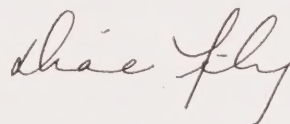






## FOREWORD

This Summary of Canada Mortgage and Housing Corporation's (CMHC) 2009-2013 Corporate Plan has been prepared in accordance with section 125 of the *Financial Administration Act* (FAA). It provides an overview of the Corporation's mandate and business structure, analyzes the expected operating environment, and sets out CMHC's Corporate Objectives and Strategic Priorities for the next five years. The Summary demonstrates how the Corporation intends to achieve these objectives and measure its performance. It also shows how CMHC will manage the public assets entrusted to the Corporation through the presentation of its financial plan and resource requirements.



Minister of Human Resources and Skills Development



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# CHAPTER I

## Introduction

A good home is the foundation for families to grow and prosper. Housing shapes the well being of individuals, neighbourhoods and communities. It is also a major driver of economic growth and prosperity, representing almost 20% of Canada's GDP.

Today, Canadians are among the best-housed people in the world. The vast majority of Canadians, 80%, are able to meet their housing needs in the private market without government assistance. Due to the continuing efforts of governments at all levels and the housing industry, the Canadian housing system is viewed as one of the best in the world.

CMHC plays a significant role in sustaining a healthy housing market and supporting access to low-cost mortgage financing. Generations of first time homebuyers who have limited down payments have been able to obtain mortgages at rates comparable to those with higher down payments due to our mortgage loan insurance products. We are in every community, including in the North and on reserve, working with lenders to facilitate financing for homeowners as well as for builders of rental properties and nursing homes.

Many other Canadians, however, require assistance because adequate and suitable housing is not available where they live at a price they can afford. CMHC, as the national housing agency, provides help for these Canadians, in partnership with the provinces and territories, municipalities, non-profit groups, and the private sector. And, because government cannot do it all, we encourage, through financial and other means, the private market to develop more affordable housing so that fewer households will need ongoing assistance.

CMHC is also one of Canada's premier sources of housing information, helping markets to function efficiently and the industry to remain productive and innovative. In addition, our efforts help the Canadian housing industry to export its products and services to markets abroad, thereby strengthening its ability to remain a key sector in Canada's economy.

As a Crown corporation, CMHC is governed by a Board of Directors and is accountable to Parliament through the Minister of Human Resources and Skills Development. This document is a summary of CMHC's 2009-2013 Corporate Plan approved by the Government of Canada. It sets out CMHC's directions for 2009 and the anticipated outcomes of our activities.

Canada's Economic Action Plan – Budget 2009, recognized that housing construction and renovation can play a major role in stimulating the economy and creating jobs. CMHC's activities described in this Summary include the one-time federal investment of \$2 billion to build new and repair existing social housing that CMHC will implement on behalf of the Government of Canada. Also, as required by the *Financial Administration Act*, it contains our financial plan and projected financial results for the next five years.

Chapter II – Our Objectives and Strategic Priorities – *Directions for 2009* sets out the challenges and directions for the coming year, and the outcomes of our activities.

Chapter III – Building a Strong Organization provides background information on CMHC's legislative framework, corporate governance and structure, and summarizes some of our internal services, including directions with respect to our workforce.

Chapter IV – Financial Plan and Chapter V – Resource Requirements inform Canadians on how we manage our financial resources.

Appendix A – Financial Statements

Appendix B – Glossary of Key CMHC Terms





## CHAPTER II

# Our Objectives and Strategic Priorities – Directions for 2009

CMHC strives to achieve three objectives and seven strategic priorities (see table below). On a day-to-day basis, thousands of households directly or indirectly benefit from our activities. CMHC also works closely with other levels of government, the housing industry, mortgage lenders as well as the non-profit sector.

The activities undertaken under each of these strategic priorities are tracked through a series of performance measures. Outcomes, on the other hand, are the higher-level results of these activities we hope to achieve in the short, intermediate or long term. For example, while we

provide subsidies every year to support a range of assisted housing programs, over the long term we hope to create opportunities for families to improve their quality of life and to enjoy greater stability and prosperity in their communities. We describe these outcomes at the end of this chapter.

While additional details on our finances are found in Chapters IV and V of this document, the following table describes how we have allocated our operating budget and staff resources (measured in staff years) to each of our strategic priorities.

### For 2009:

		Operating Budget (\$ millions)	Staff-Years
<b>Objective 1: Help Canadians in need</b>			
		<b>Plan</b>	<b>Plan</b>
1	Help Canadians in need access affordable, sound and suitable housing	63	412
2	Support Aboriginal Canadians to improve their living conditions	20	137
<b>Objective 2: Facilitate access to more affordable, better quality housing for all Canadians</b>			
2.1	Ensure Canadians have access to mortgage loan insurance products and tools that meet their needs	212	963
2.2	Enhance the supply of low-cost funds for mortgage lending by expanding the securitization program	11	62
2.3	Provide comprehensive, timely and relevant information to enable Canadian consumers as well as the housing sector to make informed decisions	36	333
<b>Objective 3: Ensure the Canadian housing system remains one of the best in the world</b>			
3.1	Promote sustainable housing and communities	7	50
3.2	Support and promote Canada's world-class housing products, services and systems internationally	16	73
<b>Total</b>		<b>365</b>	<b>2,030</b>

Note: Numbers may not add up to total due to rounding.



## UPDATE ON THE ECONOMIC ENVIRONMENT

Economic momentum and prospects changed significantly over the latter part of 2008 and early into 2009. The global economic slowdown is particularly evident in the United States but is also increasingly apparent in emerging market economies. Weaker expectations for global growth have led to a further decline in the prices of many of the commodities produced in Canada. Global credit markets remain disrupted, with global credit conditions remaining tight both in terms of the cost and availability of credit. As a result, the private sector outlook for real GDP in Canada has been revised down significantly.

There is now a broad-based consensus that the Canadian economy entered a recession in the fourth quarter of 2008. As of February 2009, the Consensus Forecast for real GDP is now expected to contract by 1.1 per cent in 2009, compared to an October 2008 forecast of 0.3 per cent growth. The decline in growth will be matched by lower employment levels but will also be offset by monetary and fiscal policy actions.

CMHC expects national housing starts to move below the 200,000 unit mark in 2009 to a range of 141,000 to 180,000 units. The new home market is moderating due to a number of factors. First, deteriorating economic conditions and the impact of economic uncertainty is delaying potential home buyers' decisions to purchase. Second, strong house price growth in previous years has tempered homeownership demand, particularly in Western Canada. Third, record levels of new listings have increased the competition from the existing home market and reduced spillover demand. Fourth, pent-up demand that built up during the 1990s is essentially exhausted and new home construction will become more aligned with long run demographic demand.

Existing home sales, as measured by the Multiple Listing Service (MLS®), reached a record level of 523,701 sales in 2007 and fell in 2008 to 452,225 units. In 2009, MLS® sales are projected to be in the range of 370,500 to 405,000 transactions. The decline in the average MLS price in 2009 is expected to be in the range of 2 to 10 per cent in central and western Canada. Average prices will be essentially unchanged in the Atlantic.



## OBJECTIVE 1: HELP CANADIANS IN NEED

### Strategic Priority 1.1:

#### Help Canadians in need access affordable, sound and suitable housing

##### CHALLENGES AND OPPORTUNITIES

Based on the 2006 Census, 12.7% or 1.5 million Canadian households cannot access adequate and suitable housing that costs less than 30% of their income. These households are deemed to be in core housing need (see Glossary). These include single parent families, persons with disabilities, recent migrants, and the working poor. We can expect that all levels of government will be called upon to respond to housing needs of the most vulnerable.

Canada's existing social housing, built between the end of World War II and the mid-1990s, provides affordable homes for low and moderate income households who would otherwise be in core housing need. As a result of the ongoing federal subsidies for social housing (\$1.7 billion for some 626,000 units), families and individuals with limited incomes do not have to spend a disproportionate amount of their income on rent, leaving more income available for other necessities.

These ongoing federal subsidies, however, are set to expire over the next two decades as mortgages are paid off and agreements with the owners/sponsors expire. Many project owners have expressed concern about the long-term future of aging social housing projects notwithstanding ongoing operating costs that will increase as mortgages are paid off. Accordingly, CMHC is working with its provincial and territorial partners to assess the future physical and financial condition of these projects.

#### *Working with others to create housing and opportunities for youth: An example of federal housing funds helping Canadians in your community*

Breaking the cycle of homelessness among youth requires a multi-faceted approach like the one offered by the Choices for Youth's Lilly Building Project in St. John's, Newfoundland. CMHC, the province and HRSDC (Human Resources and Skills Development Canada) joined to provide significant financial support for the project through CMHC's Affordable Housing Initiative and renovations programs, and HRSDC's homelessness programs. Once complete, the facility will provide 14 apartments for youth and enable them to participate in educational and employment preparation programs. Before even opening its doors, the project is proving its merit: 10 youth have been learning valuable construction skills as they work along side contractors and trades people to renovate and construct the building.

In addition to the ongoing federal subsidies for social housing, CMHC provides federal funding to provinces and territories under the Affordable Housing Initiative (AHI) and funds a range of renovation programs for low income homeowners and for affordable rental properties. The \$1 billion funding for AHI will result in some 44,000 units of affordable housing being developed, and renovation programs have helped approximately 19,000 Canadian households bring their homes up to minimum health and safety standards on a yearly basis. Provinces and territories are responsible for the design and delivery of housing funded through the AHI, and many also deliver CMHC's renovation programs.

Both of these important initiatives had been scheduled to terminate at the end of March 2009. However, the federal government announced, on September 4, 2008, its commitment to five years of funding for housing and homelessness to March 31, 2014 totalling \$1.9 billion. From this amount, the government renewed the funding for the AHI and CMHC's renovation programs at current levels for two years, from April 1, 2009 to March 31, 2011 so that more Canadians will have access to decent affordable housing. As evaluations of these programs are underway, their two year renewal, with a five year funding commitment, provides an opportunity to consider improvements in how the federal government will address housing and homelessness challenges and to ensure that programs continue to respond to the needs of Canadians.

In Canada's Economic Action Plan, the federal government announced significant new one-time investments in housing to stimulate the economy. In terms of helping Canadians in need off-reserve, these include the following two-year measures: \$1 billion for a broad range of renovations and energy retrofits for social housing units, and \$400 million and \$75 million for the construction of affordable units for seniors and for persons with disabilities, respectively, under the AHI. Canada's Economic Action Plan also announced \$200 million for new social housing and social housing retrofits in the North which will largely benefit Aboriginal people who live in this region.

#### OUR DIRECTIONS FOR 2009

CMHC will continue to administer federal funding for housing which will help ensure that Canadians receive the assistance they need. The extension of the AHI and CMHC's suite of renovation programs, as well as additional funding targeted to housing for seniors and persons with disabilities will require that

amendments be made to existing agreements with provinces and territories. CMHC will also continue to subsidize existing social housing so that affordable shelter can continue to be provided to needy households, and will provide funding to renovate and retrofit existing social housing units over the next two years. To help lower the cost to Canadian taxpayers, CMHC will also continue to offer Direct Lending to federally-supported housing projects. In Canada's Economic Action Plan, the federal government also announced that, through CMHC, it would provide up to \$2 billion for low-cost loans to municipalities for housing related infrastructure.

CMHC's Affordable Housing Centre also offers financial assistance information and advice to help both non-profit and private sector groups develop affordable housing. The Affordable Housing Centre expects to facilitate 2,500 affordable housing units in 2009. Our mortgage loan insurance underwriting flexibilities for affordable housing, market analysis and research and information transfer activities all help us achieve this objective.

Key initiatives we intend to carry out in 2009 include:

- Review the definition of households in core need to determine its continued appropriateness for policy development purposes.
- Investigate policy and program mechanisms to address those households who tend to be in core need on a temporary basis.
- Examine the future of the existing social housing, taking into account its physical and financial condition.
- Plan the evaluation of the Agency for Co-operative Housing which administers certain co-op housing units on behalf of CMHC.



## RING OUR PERFORMANCE

## STRATEGIC PRIORITY 1.1

Activities	Performance Measures	2007 Actual	2008 Plan	2008 Mid-Year Plan	2008 Mid-Year Actual	2009 Plan
Support social housing through existing commitments	Housing program expenses (excluding operating expenses)	\$1,914M	\$2,333M	\$1,259M	\$1,288M	\$2,247M
	Estimated number of households assisted	626,300	628,300	N/A	N/A	621,700
Facilitate production of affordable housing	Expenditures under the Affordable Housing Initiative (2009 target reflects program renewal)	\$95M	\$73M	N/A	\$79.9M*	\$93.4M
	Units facilitated through CMHC's Affordable Housing Centre	3,154	1,900	N/A	1,162	2,500
Ensure effective and full delivery of renovation programs	Estimated new off-reserve renovation programs forgiveness dollars expended (including accruals) – (2009 target reflects program renewal)	\$116.2M	\$113.4M	\$63.5M	\$25.5M**	\$141.2M
Provide mortgage funds through Direct Lending	Annual Direct Lending - federally -assisted housing projects	\$1,221.5M	\$1,395.9M to \$1,500.7M	N/A	\$766M	\$838.7M to \$903M
Canada's Economic Action Plan – off-reserve (including the North)	Affordable Housing Initiative and federal/provincial retrofit expenditures ***	N/A	N/A	N/A	N/A	\$300M
	New renovation and energy retrofits – off-reserve unilateral expenditures	N/A	N/A	N/A	N/A	\$25M
	New Direct Lending initiative for municipal infrastructure	N/A	N/A	N/A	N/A	\$610.5M to \$656.3M

provinces and territories (P/Ts) who are responsible for delivery of programs under the AHI accelerated spending relative to plans.

\* 2008 targets were established in 2007 based on preliminary information. In 2008, annual delivery plans indicated a different pace of spending. CMHC spending is on track with the 2008 revised annual delivery plan.

\*\* Includes initiatives delivered by P/Ts through amended AHI agreements; specifically new housing constructed for seniors and persons with disabilities and retrofit of existing social housing (includes the funding specifically targeted to the North for both new construction and retrofit).

## Strategic Priority 1.2:

### Support Aboriginal Canadians to improve their living conditions

#### OUR CHALLENGES AND OPPORTUNITIES

There are close to one million Aboriginal Canadians and more than one quarter live on reserve.

The incidence of housing problems for First Nation members living on reserve is higher than for the general population.

- Close to 34% of households on-reserve are in housing need – more than twice as high as Canadian households in core housing need (12.7%). Many, 28%, are in need because they live in inadequate housing that is in need of major repair. This is 14 times worse than the Canadian average of 2%.
- More than 12% live in crowded conditions and cannot afford a large enough house to meet their needs. This is six times worse than the Canadian average.
- The estimated shortage of housing is between 20,000 and 35,000 units.
- An additional 4,500 units are needed due to new household formation annually to keep the backlog from growing.

Despite the advances some First Nations communities are making in addressing housing challenges, many Aboriginal households continue to live in very poor conditions. This exacerbates health-related problems and hinders the ability of families to break the cycle of poverty.

The various CMHC programs serving First Nation communities facilitate both the construction of high quality new homes, as well as the maintenance and repair of existing homes. CMHC also supports First Nations in building their capacity to manage housing.

CMHC provides approximately \$128 million on an annual basis to assist First Nations with their housing and renovation needs. Some 27,000 First Nations households benefit from this assistance. In Canada's Economic Action Plan, the federal government announced it would spend an additional \$400 million through CMHC (\$250 million) and INAC (Indian and Northern Affairs Canada) (\$150 million) over two years for new social housing on reserve and the remediation of existing social housing. Also, the vast majority of CMHC's housing programs are delivered by First Nations organizations themselves. Continuing to enhance First Nations' capacity to manage overall housing development and infrastructure on reserve is seen as important to long-term success.

Housing assistance programs are only part of the solution; access to private financing for homeownership is another. While the vast majority of Canadians secure their mortgage loans with real property, this is generally not possible on reserve because lenders cannot take possession and sell the property in the event of default on the mortgage. First Nations have been looking for other ways to secure private financing.

CMHC loan insurance on reserve plays a role. The launch of the First Nations Market Housing Fund (FNMHF) in 2008 will also facilitate private financing by backstopping loans to First Nations members.



The Trustees of this new Fund report to the Minister of Human Resources and Skills Development and CMHC has been engaged to manage the operations of the FNMHF for the first five years under the oversight of its Trustees.

Aboriginal Canadians living off reserve benefit from the broad range of federally-funded housing programs aimed at Canadians in need. (See Strategic Priority 1.1.) Provinces and territories, as previously noted, are largely responsible for managing and delivering these programs through agreements with CMHC.

The high cost of construction and low incomes of the Aboriginal populations living in the North pose additional challenges for territorial governments who own a large portion of the housing stock. With high operational costs, energy-efficient and sustainable housing that meets cultural needs can improve living conditions for Aboriginal families. CMHC's expertise in sustainable housing and our research and information transfer activities can help territorial governments respond to their unique challenges.

#### DIRECTIONS FOR 2009

CMHC will work with INAC in providing financial assistance to First Nations for housing programs on reserve. The extension of our renovation programs will assist First Nations to bring the condition of their housing stock up to minimum health and safety standards. We will continue to work with First Nation communities, its members and other organizations to help build housing management capacity. We will also continue to promote homeownership as a solution for some and offer loan insurance products to support private financing on-reserve, including insurance for loans backed by the FNMHF, in addition to providing management services to the Fund.

#### ***Building skills, building communities: An example of how CMHC's capacity development initiatives are helping First Nations***

Housing has long been a priority for the people of Manawan and Opitciwan. However, these remote Quebec communities faced a daunting barrier to meeting their housing need: high costs. Faced with this challenge, the community saw an opportunity to save money and create local employment with the help of CMHC. Through a series of hands-on workshops and training sessions on construction methods and practices, local people acquired the skills they needed to help build homes in their communities. Today, local workers build all the foundations in Opitciwan and Manawan. With newly acquired skills, 27 people have gained additional employment opportunities. And, the pool of available skill is growing, with plans underway to train people in jointing, painting, electrical and cabinet making. With cost reductions of 25%, more homes are being built. These communities are proud of their efforts in building a stronger future for their members.

Key initiatives we intend to carry out in 2009 include:

- In collaboration with INAC, and with the input of First Nations, review the 1996 on-reserve housing policy.
- In partnership with Aboriginal groups and other stakeholders, improve information on First Nations housing.
- Continue to research and demonstrate culturally-appropriate approaches to northern sustainable housing.



## MEASURING OUR PERFORMANCE

## STRATEGIC PRIORITY 1.2

Activities	Performance Measures	2007 Actual	2008 Plan	2008 Mid-Year Plan	2008 Mid-Year Actual	2009 Plan
Provide funding to build housing on-reserve	New commitments of On-Reserve Non-Profit Program units	1,442	858	352	505*	774
Ensure effective and full delivery of renovation programs	Estimated new on-reserve renovation programs forgiveness dollars expended (including accruals)	\$21.9M	\$16.6M	\$8.6M	\$5.8**	\$18.9M
Support First Nations capacity and institutional development in order to manage their own housing needs	Per cent of delivery of on-reserve programs and services through First Nations or Aboriginal organizations	92%	80%	80%	93%	83%
Support development of market-like housing conditions on-reserve	Homeowner units insured or facilitated through the adoption of market-based housing tools	190	150	N/A	141	170***
Support First Nations to improve and maintain viability and quality of their housing stock through increased capacity in managing their housing and implementation of Housing Quality Initiative (HQI).	Continuation of capacity development activities while maintaining an average of 43 memoranda of understanding (MOU) on a yearly basis (new HQI MOUs will continue to be signed with First Nations communities, while some agreements will lapse).	N/A	43	43	45	43
Canada's Economic Action Plan – on-reserve	New commitments of On-Reserve Non-Profit units	N/A	N/A	N/A	N/A	138
	New retrofit delivery on-reserve expenditures	N/A	N/A	N/A	N/A	\$25M

\* The target for 2008 was set on the basis of preliminary 2007-08 plans. The planned commitments were updated based on 2008-09 plans and they reflect revised timing of commitments for the current year. Higher than planned commitment activity at mid-year is on track with updated plans.

\*\* 2008 targets were established in 2007 based on preliminary information. In 2008, annual delivery plans indicated a different pace of spending. CMHC spending is on track with 2008 revised annual delivery plans.

\*\*\* This target does not include targets that the FNMHF is responsible for attaining.

Note: Also see 1.1; Canada's Economic Action Plan also provided \$200 million over two years for new social housing and retrofits of existing social housing in the North where the population is predominately Aboriginal.





## OBJECTIVE 2:

# FACILITATE ACCESS TO MORE AFFORDABLE, BETTER QUALITY HOUSING FOR ALL CANADIANS

### Strategic Priority 2.1:

**Ensure Canadians have access to mortgage loan insurance products and tools that meet their needs**

#### CHALLENGES AND OPPORTUNITIES

Canada's robust housing market over the past several years has increased the demand for CMHC mortgage loan insurance. Under the *Bank Act*, mortgage loan insurance is required by lenders when homebuyers make a down payment of less than 20 per cent of the purchase price of a home. Mortgage loan insurance protects lenders against financial losses due to payment default by the homeowner. In Canada, mortgage loan insurance is offered to lenders by CMHC and other private insurers. When arranging mortgage financing for a homebuyer, lenders are able to choose the mortgage insurer, and the premium charged to the lender is passed on to the borrower, usually by adding the premium amount to the mortgage loan and amortizing it as part of the mortgage payment. For example, on a \$230,000 home with 5% down payment, 7% interest, and amortized over 30 years, the CMHC premium represents less than \$50 of the monthly payment of \$1,500.

For most people, the hardest part of buying a home, especially a first home, is saving the necessary down payment. With mortgage loan insurance from CMHC, homebuyers can purchase a home with as little as 5% down payment and obtain the same competitive interest rates as those available to homebuyers with a down payment of 20% or more.

As an agency of the federal government, CMHC is committed to providing mortgage loan insurance in every part of the country including small, rural and northern communities and on reserve. CMHC is also Canada's only provider of mortgage loan insurance for large multi-unit residential properties including rental projects, nursing and retirement homes, and for chattel mortgages. In fact, more than one third of CMHC's business is typically in markets where private mortgage insurers either do not serve or are less active. CMHC mortgage loan insurance also enables lenders to offer greater financing flexibilities

#### *Helping to ensure financing for homes for Canadian seniors*

CMHC mortgage loan insurance facilitates financing for affordable rental housing. An example of this can be found in the neighbourhood of Villeray in Montreal, Quebec. Seeing the need for an affordable retirement home for seniors, a well-established developer took steps to acquire and demolish an abandoned commercial property to make way for the Résidence du Parc Jarry, a 160-unit retirement home for low to moderate income seniors. Because the project met CMHC's criteria in terms of affordable rent limits for the area, and units and common amenities are modest in design, CMHC came through with underwriting flexibilities which included reduced mortgage loan insurance premiums, to facilitate the financing of the project.

and cost savings to builders and managers of affordable housing projects and to Canadians who make energy-efficient housing choices.

CMHC employs a prudent and responsible approach when assessing applications for mortgage loan insurance. Our goal is to ensure that borrowers are able to adequately manage their monthly mortgage payment. CMHC manages its mortgage loan insurance business at no cost to the Canadian taxpayer through sound business practices that ensure commercial viability in good as well as in uncertain economic times. Consistent with the directions set by the Office of the Superintendent of Financial Institutions for private sector insurers, CMHC maintains sufficient capital reserves to support its insurance business. As of the end of 2007, CMHC was providing protection against borrower default on \$334 billion in mortgage loans outstanding.

In July 2008, the Government of Canada announced changes to the parameters governing the application of the government guarantee backstopping Canadian mortgage insurers. CMHC supported the new parameters and the government's ongoing efforts to maintain a strong Canadian housing market. Accordingly, CMHC mortgage loan insurance is available for mortgage loans of up to 95% of the value of the property and with amortization periods of up to 35 years.

CMHC supports and encourages lenders to prudently administer insured loans and to exercise appropriate default management techniques to assist borrowers facing temporary financial difficulties. For the mortgages it insures, CMHC provides lenders with comprehensive default management tools and the flexibility to make timely decisions, helping lenders to find effective solutions when borrowers face financial challenges.

## OUR DIRECTIONS FOR 2009

In 2009, CMHC will provide mortgage loan insurance to lenders ensuring that Canadians continue to have access to CMHC insured mortgage financing. We will continue to make responsible and prudent product and service enhancements.

The economic downturn is anticipated to have an impact on CMHC's mortgage loan insurance business in 2009. Lower housing starts and sales of existing homes will dampen the demand for mortgage loan insurance on a transactional basis.

Key initiatives to be carried out in 2009 include:

- The launch of consumer and lender focused campaigns to increase visibility and awareness of effective default management processes and tools. This includes the launch of a consumer outreach campaign to help consumers understand what to do when faced with financial difficulties in the repayment of their mortgage loan.
- In order to protect Canadians from mortgage fraud, CMHC will maintain its leadership in mortgage fraud prevention by continuing to raise awareness and understanding with its clients and through the launch of new tools for fraud detection and prevention.
- CMHC will continue to provide lenders with analytics and tools to assist them in assessing and managing risk in order to ensure the continued strength of Canadian mortgage markets and the Canadian housing finance system.
- CMHC will continue to evolve and develop its mortgage insurance products to support energy efficiency in homeowner and rental housing.



## Measuring Our Performance

### STRATEGIC PRIORITY 2.1

Activities	Performance Measures	2007 Actual	2008 Plan	2008 Mid-Year Plan	2008 Mid-Year Actual	2009 Plan
Provide mortgage loan insurance products and services in all parts of Canada	Total mortgage insurance approved in units	803,151	578,539	330,179	497,190*	873,375
	Total mortgage insurance approved in dollars	\$125,066M	\$86,073M	\$51,548M	\$79,369M*	\$139,388M
	Per cent of rental and homeowner units approved to address less-served markets and/or to support specific government priorities	36.9%	33%	33%	40%**	33%
	Operating expense ratio	10.7%	12.1%	12.1%	11.4%	12.8%

\*Target was surpassed as a result of stronger market conditions in the first half of 2008 and lenders seeking to better manage their capital requirements by insuring low-ratio loan portfolios.

\*\*Target was surpassed largely due to stronger than expected rental loan insurance approvals.

## Strategic Priority 2.2:

### Ensure the supply of low-cost funds for mortgage lending by expanding the securitization program

#### CHALLENGES AND OPPORTUNITIES

CMHC's securitization program enhances the ability of lenders to access low-cost funds for mortgage lending. This is done through two products — *National Housing Mortgage-Backed Securities* (NHA MBS) and *Canada Mortgage Bonds* (CMB). By CMHC guaranteeing the timely payment of interest as well as the principal investment associated with these products, lenders can raise funds at a lower cost because of less risk to investors.

The global liquidity crisis has made CMHC's securitization activities even more important to the stability and health of Canada's housing finance system and capital markets. In 2008, the Government of Canada announced it would purchase through CMHC

#### *Ensuring low-cost funds for housing finance: An example of how CMHC's securitization program brings stability to Canadian housing finance markets*

As the subprime mortgage lending crisis in the United States impacted financial institutions around the world, an unprecedented funding challenge emerged. Canadian banks, while faring better than many of their global counterparts, were not immune. Financial institutions, big and small, increasingly looked to CMHC's securitization program which guarantees timely payment of both NHA Mortgage-Backed Securities and Canada Mortgage Bonds to increase their liquidity and to help raise funds for lending. In total, planned guarantees under NHA MBS and CMBs are expected to increase to \$167 billion in 2009. Despite tough market conditions, CMHC also successfully expanded CMB to include a bond with a ten-year maturity. This will serve to attract a broader pool of investors and ultimately provide more funding for mortgage lenders.

a total of \$75 billion in securities backed by insured mortgages (\$25 billion in 2008 and \$50 billion in 2009) to enhance the ability of lenders to provide loans to consumers and businesses. Canada's Economic Action Plan – Budget 2009 increased the amount by another \$50 billion in 2009, bringing total potential purchases under the Insured Mortgage Purchase Program (IMPP) up to \$125 billion.

The benefits that CMBs bring to both financial institutions and homebuyers were confirmed in an evaluation completed in 2008. CMBs contributed to lowering costs of mortgage funding for financial institutions and had an impact in terms of lowering the cost of mortgage financing to borrowers of about \$400 million over the 2001 to 2006 period.

In Canada, approximately 20% of residential mortgages are securitized. Of these securities, approximately 88% are backed by CMHC. With enhancements to our securitization products, CMHC has the opportunity to further improve the efficiency of capital markets and keep costs as low as possible for borrowers.

## OUR DIRECTIONS FOR 2009

CMHC will guarantee timely payment of interest and principal associated with NHA MBS and CMBs, and purchase mortgage-backed securities under the Insured Mortgage Purchase Program.

Key initiatives we intend to carry out in 2009 include:

- Finalizing a proposal with respect to the securitization of low ratio home equity line of credit and multi-component mortgages.
- The development and implementation of a multi-seller MBS pool concept.
- The introduction of additional CMB terms (beyond 5 years) and/or CMB issues in foreign currencies.
- Enhancements with respect to products, policies and processes to allow for increased flexibility in terms of the assets or mortgages that underlie NHA MBS and CMBs.
- The completion of a feasibility study on multi-tranche MBS structure.

## MEASURING OUR PERFORMANCE

### STRATEGIC PRIORITY 2.2

Activities	Performance Measures	2007 Actual	2008 Plan	2008 Mid-Year Plan	2008 Mid-Year Actual	2009 Plan
Ensure an adequate supply of low-cost mortgage financing	Annual securities guaranteed	\$57,981M	\$40,000M	\$20,000M	\$41,500M*	\$167,000M
	Operating expense ratio for securitization	5.8%	<11.0%	<11.0%	3.2%	<11.0%

\* Targets were surpassed as a result of the global liquidity and credit crisis and the associated funding challenges facing mortgage lenders. In this environment, CMHC's securitization programs represent reliable and cost-effective funding vehicles available to Canadian mortgage lenders. This has translated into increased volumes of CMHC guaranteed securities being issued in 2008.



### Strategic Priority 2.3:

**Provide comprehensive, timely and relevant information to enable Canadian consumers and the housing sector to make informed decisions**

#### CHALLENGES AND OPPORTUNITIES

Having a good quality home at an affordable price is a common goal for most Canadian families. For this to happen, the housing market must offer a range of choices and be responsive to the changing needs of Canadians and new technologies. CMHC's role in providing market analysis, fostering research in housing, and improving understanding of housing issues has contributed to the efficiency of the Canadian housing market.

Our publications, such as *Research Highlights* and *Sell Your House* fact sheets, are available free on CMHC's website, and have consistently been rated highly useful by readers. Our market analysis products and housing forecasts support the housing industry in making informed decisions about their business. Canadians trust CMHC to provide them with unbiased information.

The research that CMHC undertakes in any given year is influenced by many social, economic and environmental factors, as well as policy directions of the federal government. This changing research landscape means that the demand from the housing industry, consumers, as well as public policy decision makers to fill information gaps, will continue to remain high.

### ***The Canadian Housing Observer: An example of how CMHC provides reliable information on housing trends and developments in Canada***

CMHC's flagship publication, the *Canadian Housing Observer*, is a powerful resource for housing planners, policy developers, researchers, homebuilders, real estate organizations and municipal, provincial and federal housing specialists. In-depth information on housing trends and developments, market developments, housing challenges and the changing needs of Canadians is available in this annual publication.

#### OUR DIRECTIONS FOR 2009

CMHC will continue to improve its wide range of market analysis and research products.

Key initiatives to be carried out in 2009 include:

- Complete a national retirement homes survey.
- Validate the benefits of a new homes sales survey.
- Examine the feasibility of creating new affordability indicators for specific segments of the population.
- Determine the feasibility of conducting a regular survey of taxes, fees and levies on new home prices.

## MEASURING OUR PERFORMANCE

## STRATEGIC PRIORITY 2.3

Activities	Performance Measures	2007 Actual	2008 Plan	2008 Mid-Year Plan	2008 Mid-Year Actual	2009 Plan
Provide research, housing market analysis and forecasts that meet the needs of industry and other clients	Per cent of subscribers who found market analysis publications useful	93%	> 94%	Results available after 4 <sup>th</sup> quarter		> 94%
	Per cent of attendees at Housing Outlook Conferences who found them useful	99%	95%	95%	N/A	95%
	Forecast accuracy for housing starts	(7.6%)	Within 10% of actual	Results available after 4 <sup>th</sup> quarter		Within 10% of actual
	Ranking of housing starts forecast accuracy among forecasters	2 <sup>nd</sup> amongst 19	Rank within the top quartile	Results available after 4 <sup>th</sup> quarter		Rank within the top quartile
	Per cent of information transfer seminar attendees who found them useful	95%	90%	90%	93%	90%
	Per cent of recipients of newly published Research Highlights who found them useful	71%	70%	70%	72%	70%
	Per cent of recipients of newly published About Your House fact sheets who found them useful	80%	80%	80%	88%	80%

## OBJECTIVE 3:

# ENSURE THE CANADIAN HOUSING SYSTEM REMAINS ONE OF THE BEST IN THE WORLD

### Strategic Priority 3.1:

#### Promote sustainable housing and communities

#### CHALLENGES AND OPPORTUNITIES

Surveys in 2007 by major polling firms and the media indicated that Canadians are increasingly prepared to change their behaviour to safeguard the environment. Because the residential sector accounts for high levels of energy use (estimates show that housing may account upwards of 16% of all secondary energy use<sup>1</sup>), there is an opportunity for CMHC to help both consumers and the housing industry to reduce their impact on the environment and greenhouse gas emissions.

CMHC's research and information transfer activities, as well as CMHC's Green Home mortgage loan insurance product are the primary tools that we use to do this.

To maximize overall sustainable development, individual homes as well as community infrastructure must be considered. CMHC's research and information transfer activities address both and promote healthy indoor environments.

CMHC is also continuously looking for ways to reduce our impact on the environment and to showcase sound management and development practices. Our management of Granville Island,

on behalf of the Government of Canada, is an opportunity to showcase how urban redevelopment projects can contribute to social, economic and environmental health and community well being.

#### *Advancing sustainable housing through practical demonstrations*

CMHC's Equilibrium™ Sustainable Housing Demonstration Initiative (EQ) promotes practical demonstrations of how our housing needs can be balanced with those of the environment. The Riverdale NetZero project in Edmonton showcases innovative EQ technologies. Built under the leadership of Habitat Studio & Workshop Ltd., Solnorth Engineering Ltd. and Howell Mayhew Engineering Inc., the duplex features units which will use roughly a quarter of the total energy consumed by conventional homes. The passive solar design provides 40% of the home's heat, and the active solar thermal system provides an additional 64% of the space heating and 93% of the water heating. The grid-connected solar photovoltaic system provides all of the homes' electricity for lighting and appliances, as well as the remaining space and water heating.

<sup>1</sup> Secondary energy use is energy used by final consumers. This differs from primary energy use, which is the total for all uses of energy, for example, energy used in transforming one energy form to another.



## OUR DIRECTIONS FOR 2009

CMHC remains committed to pursuing ongoing research and information transfer activities aimed at promoting sustainable housing and communities. We will build upon CMHC's EQUILIBRIUM™ Sustainable Housing Demonstration Initiative which saw its first demonstration home opened for public viewing in 2007. We will market our CMHC Green Home mortgage loan insurance product and look at other enhancements to our products that can support energy efficiency.

Key initiatives we intend to carry out in 2009 include:

- Broaden the awareness of practical measures that can be taken to reduce the environmental impact of housing by expanding the EQUILIBRIUM™ housing demonstration and communicating its results.
- Promote healthy indoor environments by conducting research on indoor air quality and raise awareness and promote actions Canadians can take to protect themselves from environmental contaminants.
- Finalize the Granville Island Renewal Plan, incorporating the findings and recommendations of supporting studies and public consultations.

## MEASURING OUR PERFORMANCE

## STRATEGIC PRIORITY 3.1

Activities	Performance Measures	2007 Actual	2008 Plan	2008 Mid-Year Plan	2008 Mid-Year Actual	2009 Plan
Provide research and information transfer activities related to sustainable housing and communities	Per cent of information transfer seminar attendees who found them useful	95%	90%	90%	93%	90%
	Per cent of recipients of newly published Research Highlights who found them useful	71%	70%	70%	72%	70%
	Per cent of recipients of newly published About Your House fact sheets who found them useful	80%	80%	80%	88%	80%

## Strategic Priority 3.2:

### Support and promote Canada's world-class housing products, services and systems internationally

#### CHALLENGES AND OPPORTUNITIES

The ability of the Canadian housing industry to expand housing exports brings economic benefits to Canada and adds to the resilience and innovative capacity of the housing industry. For over 10 years, CMHC has been supporting the industry's efforts by identifying and supporting industry's participation at events such as trade shows where Canadian housing exports can be increased, hosting incoming missions, conducting research and training the housing industry abroad to employ Canadian housing technologies and systems. Industry clients have attributed millions of dollars in sales to CMHC's efforts.

#### *Drawing on our expertise to navigate difficult times: An example of how CMHC helps housing exporters*

The global economic downturn which took hold in 2008 created extremely difficult conditions for Canadian exporters. Difficult housing market conditions in the U.S. and the U.K. compounded problems for exporters of housing related goods and services. Despite these challenges, CMHC's export clients attributed a record level of sales to the services received from our trade consultants. Our clients continue to praise the sound advice and assistance they receive in identifying new niche markets for their products and services, and for encouraging them to explore new markets. In 2008, we encouraged clients to take advantage of recent growth in demand for green housing products and energy-efficient technologies.

CMHC's own housing expertise, particularly in housing finance, has been sought by foreign governments and agencies who want to learn about Canada's experiences and implement similar practices to enhance the efficiency of their housing markets. In many developing countries, housing finance systems and other infrastructure have been unable to keep up with the growing middle class. Sustainable housing is another area in which Canada has expertise and products to offer.

The economic downturn, particularly in the United States, our largest trading partner, and the volatility of the Canadian dollar in 2008, present challenges to the Canadian housing industry. The economic downturn will also likely see many of CMHC's international clients defer potential initiatives.

#### OUR DIRECTIONS FOR 2009

Diversification into different markets or products such as those that support sustainable development is seen as a way to weather the economic storm. CMHC will build upon its highly successful marketing of sustainable housing technologies. We will continue to represent the Government of Canada on housing matters on the international stage and maintain our relationships with foreign governments and agencies and Canadian organizations in order to identify opportunities in the short and long term.

Key initiatives that we will carry out in 2009 include:

- Working with clients on activities that promote the export of green products in target markets.
- Targeting the Middle East, particularly Gulf Cooperation Council states, including Saudi Arabia, United Arab Emirates, as new markets for CMHC export promotion activities.

## MEASURING OUR PERFORMANCE

## STRATEGIC PRIORITY 3.2

Activities	Performance Measures	2007 Actual	2008 Plan	2008 Mid-Year Plan	2008 Mid-Year Actual	2009 Plan
Assist clients to expand their business internationally	Overall satisfaction rate of key clients	92%	75%	N/A	N/A	80%
	Value of CMHC facilitated sales reported by key export clients	\$105.8M	\$120.0M	\$60.0M	\$66.7M	\$120.0M
Sell CMHC's expertise abroad	Revenues from selling CMHC's expertise abroad	\$2.17M	\$2.54M	\$0.87M	\$0.89M	\$2.54M

## OUTCOMES OF OUR ACTIVITIES

For each of our strategic priorities, we have laid out how we intend to measure our performance. These measures serve to ensure that we remain on track. However, the outcomes of our activities are meant to go beyond these measures. In many respects, outcomes are the ultimate reasons why we do the things that we do.

Improving housing outcomes for Canadians has many social, economic and environmental benefits. CMHC has made improvements to its measurement and reporting regime over the years. The attribution of housing initiatives to outcomes is a very complex issue given

that there are many other factors to consider, including the state of the economy and policies at all levels of government. CMHC will use the results of current and future research to continually enhance its understanding of linkages between our activities and outcomes and refine the development of the quantitative elements of its performance measurement framework. In addition, as information is made available periodically through the Census, specialized surveys and program evaluations, CMHC will address housing trends and impacts in various corporate publications including our annual report.



following are CMHC's expected outcomes under each of our strategic priorities:

Activities	Outcomes
<b>Strategic Priority 1.1: Help Canadians in need access affordable, sound and suitable housing</b>	
Support social housing through existing commitments	Low-income Canadians have greater access to affordable, sound and suitable housing stock that meets health and safety standards. For seniors and persons with disabilities, assistance extends independent living. (Immediate outcome)
Facilitate production of affordable housing	
Ensure effective and full delivery of renovation programs	
Provide mortgage funds through Direct Lending	Individuals and families have a more stable foundation for accessing opportunities and improving their quality of life. Communities benefit from greater stability and prosperity. (Long-term outcome)
Undertake research and information transfer initiatives related to helping Canadians in need	Governments and other organizations have information to better assess policy options related to housing for Canadians in need. Industry adopts best practices in areas where CMHC undertakes research. (Intermediate outcome)
<b>Strategic Priority 1.2: Support Aboriginal Canadians to improve their living conditions</b>	
Provide funding to build housing on reserve	First Nations members on reserve have greater access to affordable, sound and suitable housing stock that meets health and safety standards. For seniors and persons with disabilities, assistance extends independent living. (Immediate outcome)
Ensure effective and full delivery of renovation programs	
Support development of market-like living conditions on-reserve	Increased homeownership on-reserve allows First Nations households to participate more fully in the economic, social and cultural spheres of their communities. (Immediate to intermediate outcome)
	First Nations members gain greater financial security and wealth through increased homeownership on reserve. On-reserve communities benefit from greater stability and prosperity. (Long-term outcome)
Support First Nations capacity and institutional development in order to manage their own housing need	First Nations or Aboriginal organizations have the capacity to develop, maintain and manage their own housing on-reserve. (Intermediate outcome)
Support First Nations to improve and maintain viability and quality of their housing through increased capacity in managing their housing and implementation of Housing Quality Initiative (HQI)	
Provide research and information transfer activities related to on-reserve issues and conditions	Governments and First Nations or Aboriginal organizations have information to better assess policy options related to housing for First Nations members. (Intermediate outcome)

<b>Strategic Priority 2.1: Ensure Canadians have access to mortgage loan insurance products and tools that meet their needs</b>	
Provide mortgage loan insurance products and services in all parts of Canada	<p>Lenders are protected from losses due to borrower default, and are willing to provide financing at competitive rates because of CMHC mortgage loan insurance. (Immediate outcome)</p> <p>Canadians across the country, including low and moderate income groups and under-served populations, e.g. First Nations members, remote communities, renters, can better access housing finance. (Immediate outcome)</p> <p>Portfolio insurance increases the efficiency of capital management for lenders and increases the competitiveness of small lenders. In combination with securitization, it also increases the availability of mortgage lending in Canada. (Immediate outcome)</p> <p>A healthy housing market which includes new construction as well as renovation activity contributes to job creation and economic growth. (Intermediate outcome)</p> <p>Canadians who choose homeownership can increase their financial security. (Long-term outcome)</p>
<b>Strategic priority 2.2: Enhance the supply of low-cost funds for mortgage lending by expanding the securitization program</b>	
Ensure an adequate supply of low-cost mortgage financing	<p>Increased integration of mortgage market lending with capital market lending leads to greater efficiency and lower costs for lenders. (Immediate outcome)</p> <p>Canadians continue to be able to access low-cost financing for their homes. (Immediate outcome)</p>
<b>Strategic Priority 2.3: Provide comprehensive, timely and relevant information to enable Canadian consumers as well as the housing sector to make informed decisions</b>	
Provide research, housing market analysis and forecasts that meet the needs of industry and other clients	<p>Consumers, the housing industry, stakeholders and policy makers have access to timely and relevant research and information on housing and housing markets. (Intermediate outcome)</p> <p>The housing market is more efficient and stable as a result of more effective matching of supply and demand. Consumers and the housing industry adopt best practices. (Intermediate to long-term outcome)</p>
<b>Strategic Priority 3.1: Promote sustainable housing and communities</b>	
Provide research and information transfer activities related to sustainable housing and communities.	New and existing communities become more sustainable through adoption of sustainable practices, intensification of existing neighbourhoods, and brownfield re-development. (Intermediate to long-term outcome)
Provide mortgage loan insurance products that support energy-efficient housing choices	Greenhouse gas emissions attributable to the residential sector are reduced through improved energy efficiency of new and existing homes. (Intermediate to long-term outcome)
<b>Strategic Priority 3.2: Support and promote Canada's world-class housing products, services and systems internationally</b>	
Assist clients to expand their business internationally	Canadian housing exports increase, thus contributing to economic growth and job creation in Canada. (Intermediate outcome)
Sell CMHC's expertise abroad	Better-functioning housing markets and institutions in developing countries increase citizen involvement, social stability and economic prosperity. (Long-term outcome)



## CHAPTER III

### Building a Strong Organization

To remain a strong organization that is able to fulfill its mandate, CMHC draws on strong corporate governance practices, progressive human resources policies and practices, sound financial and risk management, efficient and reliable information technology processes and systems, and effective marketing services.

#### CORPORATE GOVERNANCE AND ORGANIZATIONAL STRUCTURE

CMHC derives its authority from the *Canada Mortgage and Housing Corporation Act (CMHC Act)*, the *National Housing Act (NHA)*, and is also governed by the *Financial Administration Act (FAA)*. The *CMHC Act* established CMHC as a Crown corporation and sets out the various powers and functions of the Corporation. The *NHA* provides CMHC with its mandate: the promotion of housing affordability and the availability of low-cost housing finance and the well-being of the housing sector. The *FAA* sets out legislative requirements for CMHC's governance and accountability regimes.

CMHC reports to Parliament through the Minister of Human Resources and Skills Development and is governed by a Board of Directors, comprised of the Chairperson, the President and Chief Executive Officer, and eight other directors appointed by the Minister with Governor in Council approval. The Board sets out the strategic direction of the Corporation within the parameters of CMHC's legislative authorities and government policy, and is responsible for managing the affairs and the integrity and adequacy of the Corporation's systems and management process. The Board also reviews performance and risks on a quarterly basis.

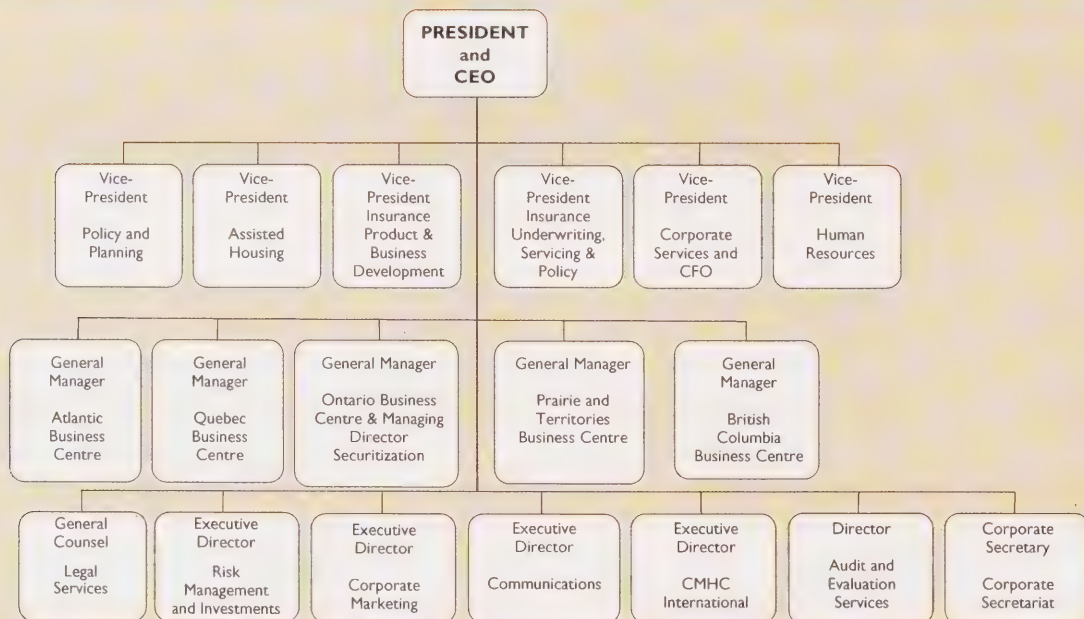


Government policies and priorities are provided through the Speech from the Throne and budget documents, as well as directly by the Minister who meets regularly with CMHC to discuss policy priorities. CMHC's corporate planning process is guided by the Board of Directors at all stages of the planning cycle. The Board also reviews the Corporation's strategic enterprise risks and performance against the Corporate Plan on a quarterly basis. This allows for adjustments to be made in resources and priorities where appropriate. At the conclusion of each planning cycle, an annual report is produced to inform Parliament and Canadians of the results of CMHC's activities.

Management maintains appropriate financial systems and internal controls to provide reasonable assurance that financial information is reliable, assets are safeguarded, and transactions are properly authorized and in accordance with relevant legislation and the bylaws of the Corporation. Management also regularly reports on financial performance and risks to the Audit Committee through its Quarterly Financial and Risk Management Report.

In addition to its national office in Ottawa, the Corporation has five regional business centres. Vice-Presidents and Executive Directors at the national office lead the Corporation's functional areas, while General Managers are responsible for regional operations.

## CMHC's Management



CMHC also plays a specific role with respect to the Canada Housing Trust, the First Nations Market Housing Fund and Granville Island as outlined below.

### **Canada Housing Trust (CHT)**

The CHT is a legal entity at arm's length to CMHC. CHT issues Canada Mortgage Bonds (CMBs) which are guaranteed by CMHC, acquires eligible pools of housing loans such as *National Housing Act* Mortgage-backed Securities, purchases highly-rated investments, and conducts related financial hedging activities. CMHC receives fees from the CHT for providing primarily payment guarantee and financial advisory services. As required under Accounting Guidelines of Canada's Accounting Standards Board, the CHT's financial results are consolidated with CMHC's financial statements.

### **First Nations Market Housing Fund (FNMHF)**

The FNMHF was established on March 31, 2008 through an Indenture of Trust. The Trust is overseen by nine trustees, appointed by the Minister for CMHC and the Minister of Indian Affairs and Northern Development. The Trustees are responsible for the Fund in achieving its objectives of facilitating the expansion of market financing of housing on First Nations' lands.

For an initial period of five years, CMHC has been engaged by the Fund to manage its day-to-day activities on a fee-for-service basis under the oversight of the trustees. The FNMHF received its capital of \$300 million from the federal government. It makes its annual report directly available to the public and has an accountability relationship with CMHC's Minister. FNMHF financial results are not consolidated with CMHC's financial statements.

### **Granville Island**

Granville Island is a cultural, recreational and commercial development in the heart of Vancouver which is owned by the federal government. CMHC is responsible for the management and administration of Granville Island for which it receives a fee. Capital additions are funded through operations and it is expected that Granville Island will be operated on a commercially viable basis. Granville Island's financial results are not consolidated with CMHC's financial statements.



## INTERNAL SERVICES

### Human Resources

CMHC is faring well in the face of demographic change that sees a higher proportion of people retiring than joining the workforce. CMHC has been able to replace retiring workers and stabilize the impact of demographic change on its employee base, as evidenced by high retention rates, low resignation rates and improved representation rates of most employment equity designated groups. At the same time, CMHC, like all organizations, must be cognizant of upcoming labour market challenges and prepare to meet them in order to continue to be able to attract, retain and develop the talented employees required to accomplish business objectives.

#### Key initiatives for 2009

- CMHC will continue to implement its Talent Management Framework designed to ensure that CMHC attracts and retains talented and engaged employees.
- Strive to have a workforce that is representative of the Canadian population.
- Strive to meet or exceed CMHC's obligations under the *Official Languages Act*, specifically with respect to language of work, service to the public and enhancement of the vitality of French and English linguistic minority communities.

### Finance

Treasury Board Secretariat has issued a draft guidance recommending the implementation of a top-down risk-based approach where Crown corporations have determined that CEO/CFO certification of internal controls over financial reporting and disclosures is appropriate.

CMHC has begun the process of converting its financial reporting from Canadian Generally Accepted Accounting Principles (GAAP) to International Financial Reporting Standards (IFRS); the process is expected to be completed in 2011.

#### Key initiatives for 2009

- With respect to CEO/CFO certification, CMHC will undertake a corporate-wide assessment of the design and effectiveness of controls over financial reporting and disclosures which are within CMHC's current governance structure.
- Develop a conversion strategy to ensure a smooth transition from Canadian GAAP to IFRS in 2011, including determination of required accounting and system changes.



## Management and Investment

As the Corporation's business activities and financial position continue to evolve, so too do the principal business risks facing the organization. CMHC needs to ensure that its risk management and investment practices remain current, appropriate, and representative of best-in-class practices as a Crown corporation and a significant financial institution in the Canadian financial system and capital markets.

### Key initiatives for 2009

- Complete the implementation of the strategic asset allocation model for insurance and securitization investment portfolios.

## Information Technology

Organizations are facing challenges in maintaining control over the production, consumption, distribution and management of information content. Accelerated business time frames, exponential growth of business content, delivery of content in a variety of formats through various channels and dealing with compliance obligations are all drivers for integration and improving content management systems.

### Key initiatives for 2009

- Provide systems and application development expertise in support of the development of systems, procedures and standards required for the key 2009 finance initiatives related to CEO/CFO certification and the conversion from Canadian GAAP to International Financial Reporting Standards.
- Provide systems and application development expertise in support of the finance systems architecture review, investigate potential new finance systems infrastructure and make

recommendations to management with respect to the standardization of processes and conversion to a new suite(s) of products.

## Administrative Services

Sound environmental practices are of concern for many organizations. CMHC has recognized this and is operating on the premise that organizations are responsible for the environmental impact of their operations.

### Key initiatives for 2009

- Continue to enhance CMHC's contribution to responsible environmental stewardship, for example, by making improvements to energy efficiency and waste reduction in the Corporation's internal operations.

## Corporate Marketing

There is an increasing need to engage the diverse segments of the Canadian population. Based on the 2006 Census, 16% of the Canadian population identify themselves as a member of a visible minority population.

The wealth of information available on the Internet makes it difficult for any one organization to compete for client attention.

### Key initiatives for 2009

- Implement the ethno-marketing outreach strategy targeting diverse segments of the Canadian population.
- Continue with the mortgage loan insurance homeownership campaign predominantly targeted to CMHC's lender and broker clients in tandem with consumer outreach efforts.

## MEASURING OUR PERFORMANCE

## Internal Services

Activities	Performance Measures	2007 Actual	2008 Plan	2008 Mid-Year Plan	2008 Mid-Year Actual	2009 Plan
<b>Human Resources</b>						
Manage recruitment, retention, development and succession to ensure CMHC has a skilled, representative and bilingual workforce to meet its business needs	Retention of regular employees recruited 3 to 5 years ago	94%	93%	96.5%	99.2%	93%
	Per cent of critical and vulnerable positions with succession plans underway	100%	90%	N/A	100%	90%
	Per cent of employees with development plans in place in CMHC's online performance management system	N/A	50%	N/A	82%	85%
	Employees in bilingual positions meeting language requirements	89%	90%	90%	88.9%	90%
	Ensure that representation rates for Aboriginal people (AP), visible minorities (VM), persons with disabilities (PD) reflect or exceed the labour representation rates in the latest Census	AP: 2.7%	AP: 2.6%	N/A	AP: 2.6%	AP: 2.7%
		VM: 12.8%	VM: 12.3%		VM: 12.9%	VM: 13.4%
		PD: 4.1%	PD: 4.7%		PD: 4.0%	PD: 4.7%
Foster an environment that maximizes the engagement and contribution of employees, that provides opportunities to learn and develop, and that rewards their performance	Overall level of employee engagement	95%	90%	N/A	N/A	90%
<b>Finance</b>						
Manage risks and opportunities to ensure continued financial viability and corporate accountability	Per cent of planned net income achieved	104%	95%	44%	56%	95%
<b>Information Technology</b>						
Leverage technology for operational efficiencies	Technology index for key systems	99.9%	99.8%	99.8%	99.9%	99.8%
	Operating budget spent on information technology	16.1%	15.5%	15.5%	15.2%	15.5%



# CHAPTER IV

## Financial Plan Summary

### OVERVIEW

The Financial Plan presents the financial results of 2007, as well as those anticipated in 2008 and over the planning horizon from 2009 to 2013. Information is presented on a consolidated basis to include the Canada Housing Trust (CHT), a legally separate entity, as well as the Housing Programs, Lending, Insurance and Securitization business activities.

The original 2009-2013 Corporate Plan, which was approved in December, 2008, has been amended to reflect the impacts of funding and related resource commitments resulting from Canada's Economic

Action Plan and the two-year extension of the renovation programs and the Affordable Housing Initiative.

The 2009-2013 Corporate Plan presented consolidated results for CMHC, the CHT and the First Nations Market Housing Fund (FNMHF). Consolidation of the FNMHF was subject to confirmation by the Corporation's external auditors who have since advised that consolidation is not required. The amended financial plan reflects the removal of the FNMHF's results from the consolidated financial plan.

The table below presents highlights of the Consolidated Financial Plan.

\$ millions	Financial Plan <sup>(1)</sup>				
	2009	2010	2011	2012	2013
Revenues	15,966	19,601	21,554	22,770	24,214
Expenses	14,061	17,584	19,387	20,401	21,699
Pre Income before Income Taxes	1,905	2,017	2,167	2,369	2,515
Net Income after Income Taxes	1,353	1,432	1,594	1,777	1,888
Other Comprehensive Income	65	25	80	101	116
Comprehensive Income	1,418	1,457	1,674	1,878	2,004
Total Assets	345,318	383,736	408,338	428,950	421,567
Total Liabilities	335,484	372,445	395,373	414,107	404,720
Total Equity	9,834	11,291	12,965	14,843	16,847
Operating Expenses	460	481	504	503	514
Full Years	2,030	2,056	1,987	1,966	1,968

(1) CMHC's Housing Programs and Lending Activity are operated on a breakeven basis, as is the CHT. The commercial Insurance and Securitization activities are the main sources of the Corporation's Net Income.



Key elements of the 2009 Financial Plan, broken down by CMHC business area and the CHT, are presented in the following table.

Highlights – 2009 Financial Plan by Key Business Area or Activity							
\$ millions	Housing Programs	Lending	Insurance	Securitization	Inter-entity Elimination*	CHT	Consolidated
Revenues	2,361	739	2,224	4,427	(254)	6,469	15,966
Expenses (including Income Taxes)	2,361	755	981	4,301	(254)	6,469	14,613
Comprehensive Income	0	(16)	1,267	167	0	0	1,418
Assets	0	14,131	18,435	127,854	(2,645)	187,543	345,318
Liabilities	0	13,929	9,386	127,271	(2,645)	187,543	335,484
Equity	0	202	9,049	583	0	0	9,834
* Inter-entity eliminations are transactions between various segments of a consolidated entity that are eliminated upon consolidation.							

## ACCOUNTING CHANGES

Effective January 1, 2008, the Corporation adopted the following new accounting standards: CICA Handbook Section 1535 Capital Disclosures, Section 3862 Financial Instruments – Disclosures, and Section 3863 Financial Instruments – Presentation. These new standards will result in changes to the disclosures in CMHC's notes to the Financial Statements but will have no impact on the corporate plan tables.

CMHC will convert from Canadian Generally Accepted Accounting Principles (GAAP) to International Financial Reporting Standards (IFRS) with the 2011 financial statements.

## FINANCIAL PLAN BY OBJECTIVE

### Objective 1 Help Canadians In Need

#### HOUSING PROGRAMS

Through assisted housing programs, CMHC provides rental housing subsidies, helps develop affordable housing without ongoing federal government subsidies, provides assistance and capacity development to First Nations and undertakes special housing initiatives like renovation programs.

The Government of Canada reimburses CMHC for payments made under the federal government's assisted housing programs, and for related operating expenses. Within the Financial Plan, information on CMHC's Housing Programs is presented on a fiscal year basis – from April 1 through March 31<sup>st</sup> – consistent with the basis on which funding for these programs is approved by the federal government.

CMHC, unilaterally or in conjunction with the provinces and territories, will subsidize approximately 100 units of existing social housing in 2009.

In the provinces and territories except Prince Edward Island, Quebec and Alberta, Social Housing Agreements have been signed to transfer administration of existing social housing portfolio to the provinces or territories. The Financial Plan takes the terms of the agreements into account and reflects the assumption that agreements will not be signed with the three remaining provinces during the planning period.

Under an agreement signed with CMHC in 2005,

the Agency for Co-operative Housing is providing certain services to CMHC for federally administered co-operative housing programs in British Columbia, Alberta, Ontario and Prince Edward Island. The partial transfer of the administration of the CMHC agreements with the co-operatives in these provinces occurred in 2006. CMHC pays the Agency on a fee for service basis for their work. CMHC continues to be responsible for federal co-operative housing programs and policies on behalf of the federal government in addition to the administration of federal assistance in these four provinces as well as in Quebec. (In the remaining provinces and the territories, the co-operative programs are the responsibility of the province or territory under the Social Housing Agreements).

In 2007-08, CMHC spent \$2.2 billion against a plan of \$2.3 billion under its Housing Programs. Of this amount, approximately \$2.1 billion was spent on helping Canadians in need. This includes expenditures of \$267 million under CMHC's renovation programs and the Affordable Housing Initiative and the first of two \$150 million advances to fund the First Nations Market Housing Fund.

### **First Nations Market Housing Fund (FNMHF)**

The FNMHF commenced operations in May 2008, following the government's announcement in April 2007, that the Fund would be created with initial capital of \$300 million to give First Nations people living on reserve or on settlement lands where appropriate, an opportunity to own their own home by providing a backstop for private mortgage lending. CMHC contributed the first \$150 million to the fund on behalf of the federal government in 2007-08.

The Fund's Credit Enhancement Facility provides a partial financial backstop to a First Nation's housing loan guarantees made to third party lenders and loan insurers. The Fund's Capacity Development Program provides resources to assist eligible First Nations to prepare for and/or advance homeownership opportunities in their communities. Support may be provided through the provision of training, advice and coaching, focusing on developing market-based housing capacity for qualified First Nations and members of those communities.

The Fund is expected to be self-sufficient, and it is not permitted to borrow. Revenues for the Fund are generated from the investment of the initial \$300 million in capital. Cash inflows from investment returns cover operating expenses for administration, capacity development, and program evaluation costs. Earnings beyond these expenses can grow the Fund for further Credit Enhancement activity.

The Fund provides detail on its activities through a summary of its business plan and through its annual report, which are public documents.

In the current fiscal year, 2008-09, expenditures under this objective will remain steady at \$2.2 billion, and will include the following:

- the balance of funding under the \$1 billion Affordable Housing Initiative, including \$11.1 million which was brought forward from 2007-08;
  - the second of two \$150 million payments to the FNMHF;
  - CMHC's portion of on-reserve funding totalling \$295 million over five years being shared with Indian and Northern Affairs Canada as announced in the 2005 Federal Budget. CMHC received \$83 million over five years which has facilitated the construction of 4,498 new non-profit housing units and \$20 million over two years which has facilitated the renovation of approximately 1,296 existing housing units.
- Housing Programs expenditures will increase to \$3.1 billion in 2009-10 and 2010-11. Included in this amount are funds for CMHC's renovation programs and the Affordable Housing Initiative – at \$128.1 million and \$125 million per year, respectively, which were announced in September 2008. Also included are funds to be committed through CMHC under Canada's Economic Action Plan, specifically:
- \$1 billion for renovations and energy retrofits for the existing social housing stock, \$850 million of which is on a 50-50 cost-shared basis with provinces and territories;
  - \$400 million for the construction of social housing units for low-income seniors;
  - \$75 million for the construction of social housing units for persons with disabilities;
  - \$250 million for new social housing and repair of social housing in First Nations communities (\$125 million for new construction and \$125 million for repair and renovation) ; and,
  - \$200 million to support new social housing and repair of existing social housing in the North.
- funding for the second year of the two-year extension of the renovation programs that was announced in December 2006;



The breakdown of this new, one-time funding, by fiscal year, is as follows:

#### Housing Programs – Investments in Housing for Canadians

\$ millions	2009-10	2010-11	2011-2012 & beyond	Total
Renovation and Retrofit of Social Housing	500	500		1,000
Housing for Low Income Seniors	200	200		400
Housing for Persons with Disabilities	25	50		75
First Nations Housing	65	65	121	250
Arctic Housing	100	100		200
Total	889	915	121	1,925

CMHC's Affordable Housing Centre facilitates the production of affordable housing by providing financial assistance, information, advice and guidance to potential housing providers. Seed Funding and Regional Development Funding provide financial assistance to potential housing providers who are in the very early stages of developing an affordable housing proposal. In 2009-10 and in subsequent years, \$3.2 million has been allocated for this purpose and related information transfer.

CMHC also provides ongoing funding for housing construction and renovation on reserves, and for support to First Nations in the area of capacity building to help them develop and manage their own housing.

Expenditures under Housing Programs in 2011-12 through 2013-14 will drop to approximately \$1.9 billion per year. This reflects the fact that the initiatives announced in Canada's Economic Action Plan do not continue past March 2011 except for the On-Reserve Renovation and Retrofit Rental Housing Program which will provide funding over the 25 year subsidy period. Additionally,

no allowance is made in the Plan for funding for the housing and homelessness programs beyond 2010-2011. The allocation of funding in 2011-12 through 2013-14 for housing and homelessness programs, including CMHC's renovation programs and the Affordable Housing Initiative (AHI) as well as HRSDC's Homelessness Partnering Strategy (HPS), will be confirmed by the Government of Canada following a review of these programs. CMHC will undertake a review of its renovation programs and the AHI, and HRSDC will undertake a similar review of the HPS.

In 2006, the federal government initiated an Expenditure Restraint exercise. CMHC's contribution to this exercise was \$45 million, consisting of \$30 million in 2006-07 and \$15 million in 2007-08. In 2007, Treasury Board initiated a cost efficiency savings review with the intent to review each department's spending. CMHC's contribution is a permanent reduction of \$443,000 starting in 2008-09. CMHC will manage the contribution through administrative savings.

## LENDING ACTIVITY

Under the Lending Activity, CMHC helps lower the cost of social housing by providing loans at attractive interest rates. Prior to 1993, these loans were funded by borrowings from the Consolidated Revenue Fund (CRF) and from 1993 until April 2008, they were funded by capital market borrowings. Since April 2008, loans have been funded through borrowings from the Department of Finance under the Crown Borrowing Framework (CBF). CMHC's Direct Lending rate forecasts are based on its cost of funds plus a small margin to cover administrative expenses.

Since 1991, CMHC has assumed the interest rate risk exposure on all loans financed with borrowings from the Government of Canada. Some borrowers have the right to prepay, without penalty, certain high interest cost borrowings they have outstanding with CMHC. The Corporation, however, does not have the ability to prepay, without penalty, its corresponding debt with

the Government of Canada. This has resulted in asset/liability mismatches and a significant interest rate risk.

In 2007, the Lending Activity incurred a loss of \$19 million, compared to a planned loss of \$4 million. Contributing factors were the Asset-Backed Commercial Paper write-down of \$7 million after tax and the expensing of \$5 million in real estate holding costs.

In Canada's Economic Action Plan, it was announced that the federal government would increase the provision of financing in the economy by making available up to \$2.0 billion over two years in direct, low-cost loans to municipalities. These loans will be made by CMHC, through the Lending Activity, to finance housing related infrastructure such as sewers, water lines and neighbourhood regeneration projects.

Loans in support of Housing Programs are expected to decline by \$0.8 billion from \$12.2 billion in 2009, to \$11.4 billion in 2013, due to repayment activity.

Highlights of the financial plan for the Lending Activity are noted in the following table.

Lending - Financial Forecast Results								
\$ millions	Actual 2007	Plan 2008	Estimate 2008	Plan 2009	2010	2011	2012	2013
Net Interest Income	16	24	6	9	12	16	18	17
Gain/Loss from Financial Instruments Designated at Fair Value	(20)	(8)	116	(7)	(75)	(37)	2	(1)
Gain (Loss) on Real Estate	(5)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Comprehensive Income	(19)	(8)	72	(16)	(65)	(36)	(5)	(8)
Loans and Investments	12,341	11,389	12,018	12,210	12,738	12,540	11,926	11,388
Liabilities	15,328	13,172	13,663	13,929	14,630	14,448	13,770	13,443
Equity	146	158	218	202	137	101	96	88

The equity of the Lending Activity is made up of \$175 million in contributed capital plus retained earnings which are held in a Reserve Fund as determined under generally accepted accounting principles. Amounts in excess of the Reserve Fund limit are returned to the Government of Canada. Until December 12, 2008, the Reserve Fund limit was set at \$175 million, of which \$125 million was to guard against losses arising from general operations and repayment/repricing and up to \$50 million was to accommodate fluctuations in earnings resulting from new financial instruments accounting standards. On December 12, 2008, the federal government approved an increase in the limit to \$240 million to absorb a one-time unearned amount before tax, in 2008, of \$83 million resulting from change to the valuation curves used to determine fair market value within the Lending Activity.

Results of the fair valuation of Direct Lending, Guaranteed Loans, Capital Market Borrowings, and derivatives indicate a significant unrealized gain in 2008 offset by significant unrealized losses in 2010 and 2011. Since there are no sale of Loans, Borrowings, or derivatives, these gains and losses represent temporary variations in fair values and there should be no recognition of any gain or loss on maturity.

## Objective 2 Facilitate Access To More Affordable, Higher Quality Housing For All Canadians

### HOUSING PROGRAMS

\$2.2 billion in Housing Programs expenditures in 2007-08, approximately \$31 million was spent for research and information transfer purposes. In 2008-09 and 2009-10, this amount will increase to about \$36 million. Activities supported include housing market research and analysis and research and information dissemination to promote desirable housing market outcomes and improve building performance.

### INSURANCE ACTIVITY

CMHC provides mortgage loan insurance to Approved Lenders that protects against possible borrower default on residential mortgages, allowing lenders to offer mortgages at the lowest possible rates.

Insurance net income of \$1,022 million in 2007 was \$31 million higher than projected in the 2007-2011 Corporate Plan due to higher than planned earned premiums and investment income. At year-end 2007, the Insurance Activity held equity of \$6,530 million, compared to the 2007-2011 Corporate Plan estimate of \$6,321 million. An actuarial valuation of the Insurance Activity as of September 30, 2007 confirmed its long-term solvency.

Based on projected volumes, mortgage loan insurance in force is forecast to increase to \$441 billion by the end of 2009. However, demand for the Portfolio insurance product is volatile and business volumes may increase at a faster pace. Under the NHA, the aggregate amount of all loans for which insurance is in force was previously limited to \$450 billion. The Corporation has received approval to seek an increase in this limit to \$600 billion through Supplementary Estimates.

CMHC's retained earnings have helped to reduce the government's deficit over time. CMHC Retained Earnings, including capital reserves, are consolidated with the Government of Canada's Public Accounts as an asset.



Highlights of the financial plan for the Insurance Activity are noted in the following table.

Insurance - Financial Forecast Results								
\$ millions	Actual 2007	Plan 2008	Estimate 2008	Plan 2009	2010	2011	2012	2013
Revenues	2,074	1,886	2,059	2,224	2,386	2,524	2,674	2,834
Expenses	570	386	422	474	495	543	547	567
Comprehensive Income	835	1,111	1,252	1,267	1,325	1,491	1,647	1,760
Unappropriated Retained Earnings	1,942	2,800	2,403	3,293	4,278	5,471	6,837	8,323

### SECURITIZATION ACTIVITY AND CANADA HOUSING TRUST (CHT)

Through the Securitization Activity, CMHC guarantees the timely payment of principal and interest on Mortgage-Backed Securities and Canada Mortgage Bonds, increasing the supply of low-cost mortgage funds through secondary mortgage markets.

In 2007, continued strong housing markets and demand by financial institutions for these low-cost funds resulted in higher than planned issuance activity under the securitization programs. Annual securities guaranteed totalled \$58 billion, exceeding the planned level of \$30.5 billion. Of that, \$22.3 billion was issued directly into the capital markets under CMHC's *National Housing Act* Mortgage-Backed-Securities (NHA MBS) program. The balance of \$35.7 billion was issued by the Canada Housing Trust under the Canada Mortgage Bond (CMB) program and was guaranteed by CMHC. Net income from Securitization Activity was \$58 million, 26% higher than planned as the higher issuance activity produced higher than planned guarantee fees and investments earning income.

On October 10, 2008, in order to maintain the availability of longer-term credit in Canada, the Government of Canada announced its plan to purchase up to \$25 billion in insured mortgage

pools. As part of this plan, CMHC would purchase NHA MBS from Canadian financial institutions through a competitive auction process. Total purchases reached \$25 billion in 2008. On November 12, 2008, the government announced that up to an additional \$50 billion of NHA MBS will be purchased by March 31, 2009. CMHC expects to hold these NHA MBS for a term of five years.

In Canada's Economic Action Plan, the government announced that further purchases of insured mortgage pools of up to \$50 billion would be made in 2009 under the Insured Mortgage Purchase Program (IMPP). This will provide long-term, stable funding to lenders and, in addition to the \$75 billion of purchases already authorized, will increase the size of the program up to \$125 billion.

Mortgage lenders will continue to actively target CMHC programs for securitized funding of insured residential mortgages. Given the success of the program and the addition of more participants, the guaranteed CMB issuance is forecast at \$55 billion per year over the course of the planning period. Key factors affecting this forecast will be the available supply of mortgage products held by CMHC approved issuers and investor and bond market conditions.

Like mortgage loan insurance, CMHC's securitization results are consolidated with the Government of Canada's Public Accounts.

Highlights of the financial plan for the Securitization Activity are noted in the following table.

Securitization and Canada Housing Trust - Financial Forecast Results								
\$ millions	Actual 2007	Plan 2008	Estimate 2008	Plan 2009	2010	2011	2012	2013
<b>CHT</b>								
Revenue	4,839	4,407	5,382	6,469	8,227	10,200	12,076	13,604
Expense	4,839	4,407	5,382	6,469	8,227	10,200	12,076	13,604
Comprehensive Income	0	0	0	0	0	0	0	0
Retained Earnings	0	0	0	0	0	0	0	0
<b>Securitization</b>								
Revenue	89	94	243	4,427	5,526	5,547	5,561	5,441
Expense	4	6	139	4,250	5,311	5,312	5,312	5,182
Comprehensive Income	51	82	101	167	197	219	236	252
Retained Earnings	305	359	378	504	659	833	1,020	1,217

### Objective 3

#### Ensure the Canadian Housing System Remains One of the Best in the World

##### HOUSING PROGRAMS

The Corporation conducts and disseminates research to support the continued evolution of the country's housing markets and housing finance system and it shares its expertise with other countries.

Under its Housing Programs, CMHC carries out a number of international activities that support forward-looking activities of Canadian housing exporters, including the promotion of Canadian products, services and know-how in foreign markets. The Corporation also provides housing finance and other expertise to developing countries and countries in transition.

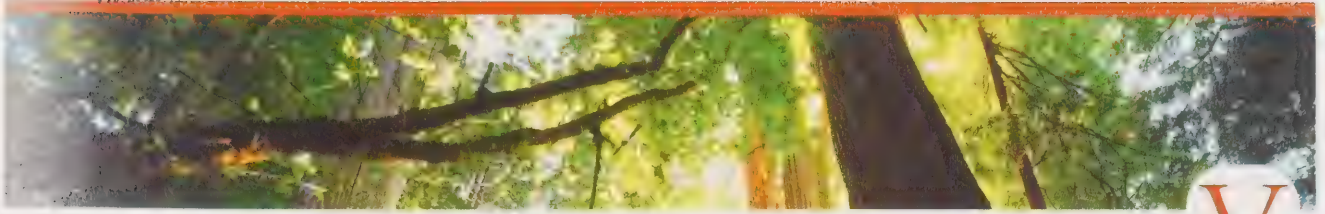
In 2007-08, approximately \$23.6 million, or 1.0%, of Housing Programs expenditures was spent to ensure that the Canadian housing system remains one of the best in the world. In 2008-09 and 2009-10, about \$25 million will be spent on achieving this objective. Activities supported by these funds are research and information transfer, international activities and emergency planning. CMHC ensures that business resumption plans are in place and tested to ensure effective and timely resumption of normal business operations following a business interruption, (for example, a power outage or ice storm).

## GRANVILLE ISLAND

Granville Island is a cultural, recreational and commercial development initiated by the Government of Canada in 1972. The Island is home to approximately 275 businesses and facilities which employ more than 2,500 people and generates approximately \$215 million in annual economic activity. There are more than 10.5 million visits annually to Granville Island.

Between 1973 and 1982, the federal government invested \$24.7 million in Granville Island. Due to an aging infrastructure, CMHC is currently developing an updated long-term plan for the renewal of the Island facilities and infrastructure.





## CHAPTER V

### Resource Requirements

#### OPERATING BUDGET

The Operating Budget provides the resources necessary to deliver and administer planned business volumes and support activities under CMHC's Housing Programs, Lending, Insurance and Securitization Activities. Human resource requirements are planned and accounted for in terms of staff-years and they reflect planned business volumes and related performance standards.

In 2007, the Corporation spent \$314.1 million on operating expenses, \$19 million lower than plan largely due to the under-consumption of staff-years and savings in professional and technical services, utilities and property taxes.

Operating expenses for 2008 are projected at \$333.5 million, \$13 million over the original budget of \$320.5 million. This increase reflects higher business volumes and insurance initiation. To help alleviate this additional expense, a number of one-time cost reduction initiatives were introduced in other business areas in 2008.

Because of the short-term nature of these savings initiatives, no negative impact was expected on the delivery of programs or the achievement of priority objectives.

On December 12, 2008, the Government of Canada approved CMHC's 2009 Operating Budget at \$356.4 million, which reflected an increase of \$35.9 million over the original 2008 budget, largely due to higher mortgage loan insurance activity for 2009 which is expected to be higher than previously forecasted for 2009 but lower than the 2008 projection.

In February 2009, an increase of \$8.8 million to \$365.2 million was approved to provide the resources necessary to deliver and administer the CMHC initiatives announced under Canada's Economic Action Plan and to extend delivery of the renovation programs and the Affordable Housing Initiative announced in September 2008.

Highlights of the Operating Budget are noted in the following table.

Operating Budget Requirements*				
	2007 Actual	2008 Plan	2008 Projected	2009 Plan
<b>Staff-Years</b>	1,888	1,928	1,963	2,030
<b>Personnel (\$Millions)</b>	175.2	190.8	188.8	206.4
<b>Non-Personnel (\$Millions)</b>	119.9	129.7	144.7	158.8
<b>Total (\$Millions)</b>	295.1	320.5	333.5	365.2
* Excludes operating expenses of the CHT				

Changes in projected Operating Budget requirements over the planning period are generally the result of projected staff-year changes, market adjustments for salary costs and employment benefits, and the inflationary provision for non-personnel costs.

Staff-years increase in 2009, 2010 and 2011, mainly in Housing Programs, due to the extension of the renovation programs to March 31, 2011, and to the introduction of new housing initiatives for two years announced in Canada's Economic Action Plan. No provision has been made for the continuation of the renovation programs after March 31, 2011.

Staff-years for mortgage loan insurance reflect that beyond 2009, insurance initiation volumes decline slightly in the first part of the planning period while default management and claims activity volumes increase marginally year over year.

Planned staff-years for securitization increase from the 2008 level due to the Insured Mortgage Purchase Program, which was introduced to support affordability, competition, and liquidity in the housing finance markets. Beyond 2009, staff-years for Securitization Activity are forecast to remain stable.

In the Lending Activity, staff-year fluctuations over the planning period are the result of projected volumes in Direct Lending which, in 2009 and 2010, reflect investments in new housing initiatives for First Nations and loans to municipalities for housing related infrastructure, both of which were announced in Canada's Economic Action Plan.

## CAPITAL BUDGET FOR FURNITURE, EQUIPMENT AND BUSINESS PREMISES

CMHC's Capital Budget for Furniture, Equipment and Business Premises provides for the fit-up of CMHC's office space, ongoing repair and replacement of worn assets, the acquisition of new assets, and the principal portion of the long term lease payments for the National Office "C" Building.

Planned, commitments against the capital budget for 2009 were \$3.9 million. The projected requirements of \$4.2 million in 2008 are in line with the approved budget.

CMHC's 2009 Capital Budget for Furniture, Equipment and Business Premises was approved in December 2008, at \$4.4 million which was unchanged from the level set for 2009 under the 2008-2012 Corporate Plan.

In February 2009, an increase of \$0.8 million to \$5.2 million was approved to reflect the costs of accommodating additional staff needed to deliver the programs identified in Canada's Economic Action Plan.

Highlights of the Capital Budget for Furniture, Equipment and Business Premises are noted in the following table.

**Summary of Commitments for Furniture, Equipment and Business Premises**

\$ Thousands	2007 Actual	2008 Plan	2008 Projected	2009 Plan
Furniture & Equipment	728	940	940	1,237
Business Premises	1,734	1,699	1,699	2,189
Commitments under Capital Lease	1,408	1,579	1,579	1,771
<b>Total</b>	<b>3,870</b>	<b>4,218</b>	<b>4,218</b>	<b>5,197</b>





## CAPITAL BUDGET FOR LOANS AND INVESTMENTS

The Corporation's Capital Budget for Loans and Investments provides for borrowings for loans to acquire, construct or renovate housing under the various programs of the *NHA*.

Capital commitments made in 2007 totalled \$266.2 million, exceeding the original plan level due to the extension of the renovation programs to March 31, 2009. The 2008 plan is projected at \$378.1 million which represents an increase of \$5.1 million over the original plan of \$373.0 million. The increase is due primarily to revised timing for the delivery of the renovation programs.

The 2009 Capital Budget for Loans and Investments was approved in December, 2008, at \$202.3 million

which was \$10.4 million higher than the level established for 2009 under the 2008-2012 Corporate Plan. This increase reflected revised timing for the delivery of the renovation programs and higher planned direct lending activities for new construction on-reserve.

In February 2009, this budget was amended to \$1,059 million to reflect increased capital requirements generated by Canada's Economic Action Plan (\$750 million for loans to municipalities for housing-related infrastructure and \$15 million for Direct Lending for new construction for First Nations on-reserve). The balance of the increase, \$91.7 million, relates to the extension of the renovation programs.

Highlights of the Capital Budget for Loans and Investments are noted in the following table.

Summary of Commitments for Loans and Investments				
\$ Millions	2007 Actual	2008 Plan	2008 Estimate	2009 Plan
Total	266.2	373.0	378.1	1,059

## BORROWING PLAN

Borrowing, investing, and risk management activities are subject to CMHC's Funding, Investment and Risk Management Policy framework which is reviewed and approved annually by the Board of Directors.

CMHC borrows for purchases of NHA MBS under the insured Mortgage Purchase Program, to fund mortgages under the Direct Social Housing Lending Initiative, and for other loans and investments in housing programs.

From 1993, CMHC obtained funding by borrowing directly from the Government of Canada. From 1993, until the inception of Direct Lending, until early 2008,

CMHC was an opportunistic borrower in the capital markets, seeking to issue debt into those markets which provide the most cost-effective funding. In April 2008, the Department of Finance implemented the Crown Borrowing Framework (CBF) for CMHC, Farm Credit Canada and Business Development Canada. CMHC now borrows directly from the Department of Finance ("CBF borrowings"). Through the CBF, CMHC has the capability to fund Direct Lending and other loans and investments in a variety of terms and continues to transact appropriate hedging activities.

## INVESTMENT PLAN FOR 2009 FOR INSURANCE AND SECURITIZATION ACTIVITIES

The objective of the Insurance and Securitization investment portfolios is to maximize the total investment return on a pre-tax basis after investment-related operating expenses. This is while maintaining sufficient liquidity to meet projected business requirements and safeguarding the economic value of the investment portfolios, subject to appropriate risk considerations and to the constraints outlined in CMHC's Funding, Investment and Risk Management Policies.

In addition, following the announcement by the Minister of Finance on October 10, 2008, CMHC invests in NHA MBS through its Securitization Activity. These investments have been excluded from the strategic asset allocation as they were made with the explicit goal of assisting Canadian financial institutions to raise longer-term funds and therefore do not contribute to the overall return of the investment portfolio.

The market value of investments under management totaled \$13,439 million as at June 30, 2008, compared to \$11,589 million as at June 30, 2007. The majority of these investments, \$12,838 million, relates to the Insurance Activity while the remaining \$601 million relates to the Securitization Activity.

CMHC currently invests for liquidity management, cash management, and hedging purposes in relation to its lending activities. These investments totalled \$1,644 million, par value, as at June 30, 2008 compared to \$1,660 million as at June 30, 2007.

### **Asset-Backed Commercial Paper (ABCP)**

In August 2007, the Canadian market for Third-Party ABCP became illiquid, resulting in these investments not paying on maturity. At December 31, 2007, CMHC held Canadian Third-Party Sponsored ABCP issued by four trusts (conduits) with an original cost of \$249 million. CMHC adjusted the carrying value downward by \$23 million to recognize impairment. This adjustment, based on a number of important factors and vetted with external accountants, represented CMHC's best estimate of impairment within a reasonable range of possible write-downs.

Subsequent to the December 2007 valuation, CMHC assessed pros and cons of the proposed ABCP restructuring. The Corporation decided to approve the selection of MAV2 (Master Asset Vehicle) as the most conservative course of action. This alternative involves the participation of major Canadian Banks in providing additional liquidity support arrangements necessary to achieve high credit ratings on the restructured senior notes, and limits potential losses to the Corporation in the unlikely event of further extreme credit stresses in the financial markets.

The proposed ABCP restructuring is in the process of judicial proceedings where the Pan Canadian Committee of Third Party ABCP Investors is seeking final authority to proceed with implementation. As additional information becomes available, CMHC intends to update the valuation of its ABCP positions.

CMHC's ability to respect its commitments and to fulfill its mandate was not impacted by the ABCP liquidity issue. CMHC does not anticipate any difficulties in respecting future obligations and in continuing its normal course of business.



## 2005 TO 2008 FINANCIAL HIGHLIGHTS

Corporate Results	2005 Actual	2006 Actual	2007 Actual	2008 Estimate
Total Assets (\$M)	101,093	124,218	148,168	199,931
Total Liabilities (\$M)	96,665	118,764	141,174	191,515
Total Equity (\$M)	4,428	5,454	6,994	8,416
Total Revenue (\$M)	7,409	8,378	9,746	10,743
Total Expenses (\$M)	5,945	6,896	8,172	8,902
Total Operating Expenses (\$M)	303	298	347	391
Net Income (\$M)	1,002	1,026	1,070	1,299
Other Comprehensive Income (\$M)	n/a	n/a	(200)	126
Comprehensive Income (\$M)	n/a	n/a	870	1,425
Reserve Fund (\$M)	143	143	121	193
Staff-Years	1,804	1,877	1,888	1,963
<b>Insurance</b>				
Annual Insurance Units Approved	746,157	631,191	803,151	891,974
Insurance-in-force (\$M)	273,700	291,400	333,775	391,300
Insurance Claims Expense (\$M)	119	209	315	248
Premiums and Fees Received (\$M)	1,492	1,383	1,740	2,103
Investments (including cash ) (\$M)*	9,053	9,974	12,026	13,807
Net Income (\$M)	951	981	1,022	1,154
Other Comprehensive Income (\$M)	n/a	n/a	(187)	98
Comprehensive Income (\$M)	n/a	n/a	835	1,252
Inappropriated Retained Earnings (\$M)	657	1,313	1,942	2,403
Retained Earnings Set Aside for Capitalization (\$M)	3,406	3,731	4,258	4,951
<b>Securitization</b>				
Annual Securities Guaranteed (\$M)	30,374	36,071	57,981	90,000
Securitization Guarantees in Force (\$M)	103,709	129,500	165,332	201,600
Fees Received (\$M)	68	85	131	211
Investments (including cash ) (\$M)*	327	396	533	26,075
Borrowings from the Government of Canada (\$M)	0	0	0	25,303
Net Income (\$M)	42	45	58	73
Other Comprehensive Income (\$M)	n/a	n/a	(7)	28
Comprehensive Income (\$M)	n/a	n/a	51	101
Inappropriated Retained Earnings (\$M)	197	242	305	378
<b>Housing Programs</b>				
Housing Program Expenses (\$M) (excluding operating expenses)	1,973	2,049	1,914	2,273
Affordable Housing Initiative Expenditures (\$M)	175	167	95	97
Estimated Households Assisted through long-term commitments	633,000	630,000	626,300	624,300
Annual New Commitments (units) under Renovations Programs	21,990	20,535	19,049	21,737
Annual New Commitments (units) under Renovations Programs – On-reserve	1,508	2,421	1,171	1,117
Annual New Commitments (units) under Renovations Programs – Off-reserve	20,482	18,114	17,878	20,620
New commitments On-reserve Non-Profit Units	1,045	4,393	1,442	914
<b>Funding</b>				
Grants and Investments in Housing Programs (\$M)	13,170	12,706	12,341	12,018
Borrowings from Capital Markets (\$M)	9,467	8,625	8,295	5,298
Borrowings from the Government of Canada (\$M)	4,899	4,701	4,446	7,541
Net Income (\$M)	9	0	(19)	72
<b>Canada Housing Trust</b>				
Canada Housing Trust Assets (\$M)	73,208	96,445	120,122	145,790
Canada Housing Trust Liabilities (\$M)	73,208	96,445	120,122	145,790

\* Excludes investments related to repurchase activities and accrued interest receivable

## 2009 TO 2013 FINANCIAL HIGHLIGHTS

<b>Corporate Results</b>		<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Total Assets (\$M)		345,318	383,736	408,338	428,950	421,567
Total Liabilities (\$M)		335,484	372,445	395,373	414,107	404,720
Total Equity (\$M)		9,834	11,291	12,965	14,843	16,847
Total Revenue (\$M)		15,966	19,601	21,554	22,770	24,214
Total Expenses (\$M)		14,061	17,584	19,387	20,401	21,699
Total Operating Expenses (\$M)		460	481	504	503	514
Net Income (\$M)		1,353	1,432	1,594	1,777	1,888
Other Comprehensive Income (\$M)		65	25	80	101	116
Comprehensive Income (\$M)		1,418	1,457	1,674	1,878	2,004
Reserve Fund (\$M)		177	112	76	71	63
Staff-Years		2,030	2,056	1,987	1,966	1,968
<b>Insurance</b>						
Annual Insurance Units Approved		873,375	860,262	851,773	857,121	864,931
Insurance-in-force (\$M)		440,800	474,400	501,300	522,800	534,100
Net Insurance Claims Expense (\$M)		279	289	315	314	327
Premiums and Fees Received (\$M)		2,023	2,005	2,014	2,073	2,147
Investments (including cash ) (\$M)*		15,710	17,530	19,287	21,263	23,392
Net Income (\$M)		1,243	1,342	1,456	1,595	1,699
Other Comprehensive Income (\$M)		24	(17)	35	52	61
Comprehensive Income (\$M)		1,267	1,325	1,491	1,647	1,760
Unappropriated Retained Earnings (\$M)		3,293	4,278	5,471	6,837	8,323
Retained Earnings Set Aside for Capitalization (\$M)		5,304	5,661	5,924	6,153	6,366
<b>Securitization</b>						
Annual Securities Guaranteed (\$M)		167,000	67,000	67,000	67,000	67,000
Securitization Guarantees in Force (\$M)		372,600	402,500	413,800	415,900	425,100
Fees Received (\$M)		390	191	192	193	194
Investments (including cash ) (\$M)*		127,591	127,732	127,753	127,781	102,720
Borrowings from the Government of Canada (\$M)		126,390	126,308	126,111	125,912	100,608
Net Income (\$M)		126	155	174	187	197
Other Comprehensive Income (\$M)		41	42	45	49	55
Comprehensive Income (\$M)		167	197	219	236	252
Unappropriated Retained Earnings (\$M)		504	659	833	1,020	1,217
<b>Housing Programs</b>						
Housing Program Expenses (\$M) (excluding operating expenses)		2,247	2,932	2,736	1,928	1,848
Affordable Housing Initiative Expenditures (\$M)		164	374	352	60	1
Estimated Households Assisted through long-term Commitments		621,700	611,500	601,879	591,279	578,479
Annual New Commitments (units) under Renovations Programs		18,712	18,671	3,602	719	719
Annual New Commitments (units) under Renovations Programs – On-reserve		1,169	1,151	752	521	521
Annual New Commitments (units) under Renovations Programs – Off-reserve		17,543	17,520	2,850	198	198
New commitments On-reserve Non-Profit Units		842	1,345	710	692	680
<b>Lending</b>						
Loans and Investments in Housing Programs (\$M)		12,210	12,738	12,540	11,926	11,388
Borrowings from Capital Markets (\$M)		4,211	2,920	2,048	1,742	1,387
Borrowings from the Government of Canada (\$M)		8,930	11,148	11,900	11,534	11,575
Net Income (\$M)		(16)	(65)	(36)	(5)	(8)
<b>Canada Housing Trust</b>						
Canada Housing Trust Assets (\$M)		187,543	223,655	246,901	266,456	282,669
Canada Housing Trust Liabilities (\$M)		187,543	223,655	246,901	266,456	282,669
* Excludes investments related to repurchase activities and accrued interest receivable						



# APPENDIX **A**

## Financial Statements

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**TABLE 1**  
**Consolidated Financial Statements**  
**Balance Sheet (In Millions of Dollars)**

Description	2007 Actual	2008 Estimate	2009	2010	2011	2012	2013
<b>Assets</b>							
Investment in NHA Mortgage-Backed Securities	96,023	150,015	277,389	301,687	305,237	305,584	294,510
Loans and Investments in Housing Programs	12,341	12,018	12,210	12,738	12,540	11,926	11,388
Investment Securities	12,878	15,443	26,941	31,902	33,568	41,504	40,349
Cash and Cash Equivalents	3,470	4,030	4,718	5,169	5,452	5,680	6,115
Derivative-related amounts	645	744	86	27	16	10	5
Securities Purchased Under Resale Agreements	21,373	15,981	22,024	30,111	49,308	61,956	66,879
Other Assets	1,438	1,700	1,950	2,102	2,217	2,290	2,321
<b>Total Assets</b>	<b>148,168</b>	<b>199,931</b>	<b>345,318</b>	<b>383,736</b>	<b>408,338</b>	<b>428,950</b>	<b>421,567</b>
<b>Liabilities</b>							
Canada Mortgage Bonds	117,719	143,035	184,457	219,503	241,365	258,852	274,500
Borrowings from Capital Markets	8,295	5,298	4,211	2,920	2,048	1,742	1,387
Borrowings from the Government of Canada	4,446	32,844	135,320	137,456	138,011	137,446	112,183
Earned Premiums and Fees	5,386	6,201	6,960	7,383	7,720	8,032	8,338
Derivative-related amounts	903	304	290	693	1,730	3,458	3,669
Other Liabilities	4,425	3,833	4,246	4,490	4,499	4,577	4,643
<b>Total Liabilities</b>	<b>141,174</b>	<b>191,515</b>	<b>335,484</b>	<b>372,445</b>	<b>395,373</b>	<b>414,107</b>	<b>404,720</b>
<b>Equity of Canada</b>							
Contributed Capital	25	25	25	25	25	25	25
Accumulated Other Comprehensive Income	328	466	531	556	636	737	853
Retained Earnings	6,641	7,925	9,278	10,710	12,304	14,081	15,969
	6,994	8,416	9,834	11,291	12,965	14,843	16,847
<b>Total Liabilities &amp; Equity</b>	<b>148,168</b>	<b>199,931</b>	<b>345,318</b>	<b>383,736</b>	<b>408,338</b>	<b>428,950</b>	<b>421,567</b>

**TABLE 2**  
**Consolidated Financial Statements**  
**Statement of Income and Comprehensive Income (In Millions of Dollars)**

Description	2007 Actual	2008 Estimate	2009	2010	2011	2012	2013
Revenues	9,746	10,743	15,966	19,601	21,554	22,770	24,214
Expenses	8,172	8,902	14,061	17,584	19,387	20,401	21,699
<b>Income Before Taxes</b>	<b>1,574</b>	<b>1,841</b>	<b>1,905</b>	<b>2,017</b>	<b>2,167</b>	<b>2,369</b>	<b>2,515</b>
Taxes	504	542	552	585	573	592	627
<b>Net Income</b>	<b>1,070</b>	<b>1,299</b>	<b>1,353</b>	<b>1,432</b>	<b>1,594</b>	<b>1,777</b>	<b>1,888</b>
Other Comprehensive Income	(200)	126	65	25	80	101	116
<b>Comprehensive Income</b>	<b>870</b>	<b>1,425</b>	<b>1,418</b>	<b>1,457</b>	<b>1,674</b>	<b>1,878</b>	<b>2,004</b>

TABLE 3

## Consolidated Financial Statements

Statement of Equity of Canada (In Millions of Dollars)

Description	2007 Actual	2008 Estimate	2009	2010	2011	2012	2013
Unappropriated Retained Earnings	2,262	2,781	3,797	4,937	6,304	7,857	9,540
Appropriated Retained Earnings	4,258	4,951	5,304	5,661	5,924	6,153	6,366
Reserve Fund	121	193	177	112	76	71	63
Accumulated Other Comprehensive Earnings	328	466	531	556	636	737	853
Contributed Capital	25	25	25	25	25	25	25
Total Equity	6,994	8,416	9,834	11,291	12,965	14,843	16,847

TABLE 4

## Consolidated Financial Statements

Statement of Cash Flows (In Millions of Dollars)

Description	2007 Actual	2008 Estimate	2009	2010	2011	2012	2013
Cash Flows provided by (used in) Operating Activities	1,293	1,375	1,779	1,359	1,422	1,591	1,743
Cash Flows provided by (used in) Investment Activities	(27,405)	(49,856)	(143,530)	(37,215)	(23,934)	(19,997)	8,001
Cash Flows provided by (used in) Financing Activities	21,130	49,040	142,439	36,307	22,795	18,634	(9,309)
Increase (Decrease) in Cash and Cash Equivalents	(4,982)	559	688	451	283	228	435



## TABLE 5

## Housing Programs

Statement of Expenditures and Recoveries (In Millions of Dollars)

Description	2007 Actual	2008 Estimate	2009	2010	2011	2012	2013
<b>Basic Flow Requirements + Contributions</b>							
<b>Increased availability of safe, affordable housing for Canadians in need, including Aboriginal Canadians</b>							
Assisted Housing Programs	1,577	1,645	1,656	1,694	1,711	1,688	1,675
Affordable Housing Initiative	95	97	164	374	352	60	1
Emergency Reserve Housing Programs	112	409	139	194	186	152	159
Housing Repair and Improvement Programs	122	112	278	659	476	17	2
Research and Information Dissemination that addresses distinct housing needs, including those of Aboriginal peoples	2	2	2	2	2	2	2
<b>Strengthened competitiveness and innovation of the housing sector in order to meet the housing needs of Canadians</b>							
Canadian Housing Market Research and Analysis	0	0	0	0	0	0	0
Research and information dissemination to promote desirable housing market outcomes and improve building performance	3	4	4	5	5	5	5
<b>The Canadian housing system remains one of the best in the world</b>							
International Activities	0	0	0	0	0	0	0
Research and information dissemination to promote sustainable housing and communities, as well as lead the development and implementation of federal housing policy	3	4	4	4	4	4	4
<b>Subtotal - Contributions</b>	<b>1,914</b>	<b>2,273</b>	<b>2,247</b>	<b>2,932</b>	<b>2,736</b>	<b>1,928</b>	<b>1,848</b>
Operating Expenses	106	102	114	121	119	114	116
<b>Total Cash Flow Requirements</b>	<b>2,020</b>	<b>2,375</b>	<b>2,361</b>	<b>3,053</b>	<b>2,855</b>	<b>2,042</b>	<b>1,964</b>

**TABLE 6**  
**Lending Activity**

Balance Sheet (In Millions of Dollars)

Description	2007 Actual	2008 Estimate	2009	2010	2011	2012	2013
<b>Assets</b>							
Loans and Investments in Housing Programs	12,341	12,018	12,210	12,738	12,540	11,926	11,388
Cash and Cash Equivalents and Investment Securities	1,019	1,169	1,223	1,315	1,319	1,271	1,480
Other Assets	2,114	694	698	714	690	669	663
<b>Total Assets</b>	<b>15,474</b>	<b>13,881</b>	<b>14,131</b>	<b>14,767</b>	<b>14,549</b>	<b>13,866</b>	<b>13,531</b>
<b>Liabilities</b>							
Capital Market Borrowings	8,296	5,298	4,211	2,920	2,048	1,742	1,387
Borrowings from the Government of Canada	4,446	7,541	8,930	11,148	11,900	11,534	11,575
Accounts Payable and Other Liabilities	2,586	824	788	562	500	494	481
<b>Total Liabilities</b>	<b>15,328</b>	<b>13,663</b>	<b>13,929</b>	<b>14,630</b>	<b>14,448</b>	<b>13,770</b>	<b>13,443</b>
<b>Equity</b>							
Contributed Capital	25	25	25	25	25	25	25
Reserve for New Financial Instruments Accounting Standards	11	94	89	35	8	10	9
Reserve for General Items	110	99	88	77	68	61	54
<b>Total Liabilities and Equity</b>	<b>15,474</b>	<b>13,881</b>	<b>14,131</b>	<b>14,767</b>	<b>14,549</b>	<b>13,866</b>	<b>13,531</b>

**TABLE 7**  
**Lending Activity**

Statement of Income, Comprehensive Income and Reserve Fund (In Millions of Dollars)

Description	2007 Actual	2008 Estimate	2009	2010	2011	2012	2013
Net Interest Income	16	6	9	12	16	18	17
Gain (Loss) from Financial Instruments Designated at Fair Value	(20)	116	(7)	(75)	(37)	2	(1)
Other Income	(3)	(2)	(2)	(2)	(2)	(2)	(2)
<b>Income Before Operating Expenses</b>	<b>(7)</b>	<b>120</b>	<b>0</b>	<b>(65)</b>	<b>(23)</b>	<b>18</b>	<b>14</b>
<b>Operating Expenses</b>	<b>17</b>	<b>20</b>	<b>22</b>	<b>24</b>	<b>26</b>	<b>25</b>	<b>25</b>
<b>Income Before Taxes</b>	<b>(24)</b>	<b>100</b>	<b>(22)</b>	<b>(89)</b>	<b>(49)</b>	<b>(7)</b>	<b>(11)</b>
<b>Taxes</b>	<b>(5)</b>	<b>28</b>	<b>(6)</b>	<b>(24)</b>	<b>(13)</b>	<b>(2)</b>	<b>(3)</b>
<b>Net Income</b>	<b>(19)</b>	<b>72</b>	<b>(16)</b>	<b>(65)</b>	<b>(36)</b>	<b>(5)</b>	<b>(8)</b>
<b>Comprehensive Income</b>	<b>(19)</b>	<b>72</b>	<b>(16)</b>	<b>(65)</b>	<b>(36)</b>	<b>(5)</b>	<b>(8)</b>
Effect of adopting new accounting standards for financial instruments	(3)	n/a	n/a	n/a	n/a	n/a	n/a
<b>Reserve Fund, Beginning of Year</b>	<b>143</b>	<b>121</b>	<b>193</b>	<b>177</b>	<b>112</b>	<b>76</b>	<b>71</b>
<b>Reserve Fund, End of Year</b>	<b>121</b>	<b>193</b>	<b>177</b>	<b>112</b>	<b>76</b>	<b>71</b>	<b>63</b>

TABLE 8

## Lending Activity

Statement of Cash Flows (In Millions of Dollars)

Description	2007 Actual	2008 Estimate	2009	2010	2011	2012	2013
Cash Flows provided by (used in) Operating Activities	(157)	(8)	(33)	(47)	5	(2)	(21)
Cash Flows provided by (used in) Investment Activities	(881)	1,675	(304)	(657)	175	667	576
Cash Flows provided by (used in) Financing Activities	752	(1,661)	339	707	(180)	(666)	(309)
Increase (Decrease) in Cash and Cash Equivalents	(286)	6	2	3	0	(1)	246

TABLE 9

## Insurance Activity

Balance Sheet (In Millions of Dollars)

Description	2007 Actual	2008 Estimate	2009	2010	2011	2012	2013
<b>Assets</b>							
Investments in Securities/Cash and Cash Equivalents/Real Estate	13,122	15,952	18,013	19,833	21,593	23,571	25,702
Other Assets	301	494	422	401	444	461	484
Total Assets	13,423	16,446	18,435	20,234	22,037	24,032	26,186
<b>Liabilities</b>							
Unearned Premiums and Provision for Claims	5,653	6,378	6,902	7,366	7,718	8,047	8,390
Other Liabilities	1,240	2,286	2,484	2,494	2,454	2,473	2,524
Total Liabilities	6,893	8,664	9,386	9,860	10,172	10,520	10,914
Accumulated Other Comprehensive Income	330	428	452	435	470	522	583
Appropriated Retained Earnings	4,258	4,951	5,304	5,661	5,924	6,153	6,366
Unappropriated Retained Earnings	1,942	2,403	3,293	4,278	5,471	6,837	8,323
Total Equity	6,530	7,782	9,049	10,374	11,865	13,512	15,272
Total Liabilities and Equity	13,423	16,446	18,435	20,234	22,037	24,032	26,186



TABLE 10

## Insurance Activity

Statement of Income, Comprehensive Income and Equity (In Millions of Dollars)

Description	2007 Actual	2008 Estimate	2009	2010	2011	2012	2013
Revenues	2,074	2,059	2,224	2,386	2,524	2,674	2,834
Expenses	570	422	474	495	543	547	567
Income Before Taxes	1,504	1,637	1,750	1,891	1,981	2,127	2,267
Taxes	482	483	507	549	525	532	568
Net Income	1,022	1,154	1,243	1,342	1,456	1,595	1,699
Other Comprehensive Income	(187)	98	24	(17)	35	52	61
Effect of accounting policy change at January 1, 2007	647	n/a	n/a	n/a	n/a	n/a	n/a
Income tax benefit on earnings set aside for capitalization	4	0	0	0	0	0	0
Total Equity, Beginning of Year	5,044	6,530	7,782	9,049	10,374	11,865	13,512
Total Equity, End of Year	6,530	7,782	9,049	10,374	11,865	13,512	15,272

TABLE 11

## Insurance Activity

Statement of Cash Flows (In Millions of Dollars)

Description	2007 Actual	2008 Estimate	2009	2010	2011	2012	2013
Cash Flows provided by (used in) Operating Activities	1,526	1,700	1,896	1,854	1,739	1,941	2,085
Cash Flows provided by (used in) Investment Activities	(1,256)	(2,073)	(1,896)	(1,854)	(1,739)	(1,941)	(2,085)
Cash Flows provided by (used in) Financing Activities	(1,819)	1,051	150	0	0	0	0
Increase (Decrease) in Cash and Cash Equivalents	(1,549)	678	150	0	0	0	0

TABLE 12

## Securitization Activity

Balance Sheet (In Millions of Dollars)

Description	2007 Actual	2008 Estimate	2009	2010	2011	2012	2013
<b>Assets</b>							
Investments in NHA MBS	0	25,303	116,095	109,155	92,546	75,833	50,533
Investment Securities	518	756	10,006	12,835	12,685	18,726	15,578
Securities Purchased Under Resale Agreements	0	0	1,474	5,725	22,506	33,205	36,593
Other Assets	53	95	279	288	298	307	265
<b>Total Assets</b>	<b>571</b>	<b>26,154</b>	<b>127,854</b>	<b>128,003</b>	<b>128,035</b>	<b>128,071</b>	<b>102,969</b>
<b>Liabilities</b>							
Borrowings from the Government of Canada: Designated at Fair Value (post 2007)	0	25,303	126,390	126,308	126,111	125,912	100,608
Unearned Guarantee Fees	221	331	562	567	560	544	525
Unearned Application & Compensatory Fees	23	35	45	52	59	64	67
Accounts Payable and Accrued Liabilities	12	69	274	296	306	316	282
<b>Total Liabilities</b>	<b>256</b>	<b>25,738</b>	<b>127,271</b>	<b>127,223</b>	<b>127,036</b>	<b>126,836</b>	<b>101,482</b>
Accumulated Other Comprehensive Income	10	38	79	121	166	215	270
Retained Earnings	305	378	504	659	833	1,020	1,217
<b>Total Liabilities and Equity</b>	<b>571</b>	<b>26,154</b>	<b>127,854</b>	<b>128,003</b>	<b>128,035</b>	<b>128,071</b>	<b>102,969</b>

TABLE 13

## Securitization Activity

Statement of Income, Comprehensive Income and Equity (In Millions of Dollars)

Description	2007 Actual	2008 Estimate	2009	2010	2011	2012	2013
Revenues	89	243	4,427	5,526	5,547	5,561	5,441
Expenses	4	139	4,250	5,311	5,312	5,312	5,182
<b>Income Before Taxes</b>	<b>85</b>	<b>104</b>	<b>177</b>	<b>215</b>	<b>235</b>	<b>249</b>	<b>259</b>
Taxes	27	31	51	60	61	62	62
<b>Net Income</b>	<b>58</b>	<b>73</b>	<b>126</b>	<b>155</b>	<b>174</b>	<b>187</b>	<b>197</b>
Other Comprehensive Income	(7)	28	41	42	45	49	55
Effect of accounting policy change at January 1, 2007	22	n/a	n/a	n/a	n/a	n/a	n/a
<b>Total Equity, Beginning of Year</b>	<b>242</b>	<b>315</b>	<b>416</b>	<b>583</b>	<b>780</b>	<b>999</b>	<b>1,235</b>
<b>Total Equity, End of Year</b>	<b>315</b>	<b>416</b>	<b>583</b>	<b>780</b>	<b>999</b>	<b>1,235</b>	<b>1,487</b>

TABLE 14

## Securitization Activity

Statement of Cash Flows (In Millions of Dollars)

Description	2007 Actual	2008 Estimate	2009	2010	2011	2012	2013
Cash Flows provided by (used in) Operating Activities	121	212	389	181	175	178	188
Cash Flows provided by (used in) Investment Activities	(110)	(25,211)	(100,389)	(181)	(175)	(178)	24,812
Cash Flows provided by (used in) Financing Activities	0	25,000	100,000	0	0	0	(25,000)
Increase (Decrease) in Cash and Cash Equivalents	11	1	0	0	0	0	0

TABLE 15

## Canada Housing Trust

Balance Sheet (In Millions of Dollars)

Description	2007 Actual	2008 Estimate	2009	2010	2011	2012	2013
<b>Assets</b>							
Investments in NHA Mortgage-Backed Securities	96,023	124,712	161,294	192,532	212,691	229,751	243,977
Other Assets	24,099	21,078	26,249	31,123	34,210	36,705	38,692
<b>Total Assets</b>	<b>120,122</b>	<b>145,790</b>	<b>187,543</b>	<b>223,655</b>	<b>246,901</b>	<b>266,456</b>	<b>282,669</b>
<b>Liabilities</b>							
Canada Mortgage Bonds	119,098	145,360	187,085	222,407	244,528	262,304	278,262
Other Liabilities	1,024	430	458	1,248	2,373	4,152	4,407
<b>Total Liabilities</b>	<b>120,122</b>	<b>145,790</b>	<b>187,543</b>	<b>223,655</b>	<b>246,901</b>	<b>266,456</b>	<b>282,669</b>
Accumulated Other Comprehensive Income	0	0	0	0	0	0	0
Retained Earnings	0	0	0	0	0	0	0
<b>Total Liabilities and Equity</b>	<b>120,122</b>	<b>145,790</b>	<b>187,543</b>	<b>223,655</b>	<b>246,901</b>	<b>266,456</b>	<b>282,669</b>



TABLE 16

## Canada Housing Trust

Statement of Income and Comprehensive Income (In Millions of Dollars)

Description	2007 Actual	2008 Estimate	2009	2010	2011	2012	2013
Revenues	4,839	5,382	6,469	8,227	10,200	12,076	13,604
Expenses	4,839	5,382	6,469	8,227	10,200	12,076	13,604
Income Before Taxes	0	0	0	0	0	0	0
Taxes	0	0	0	0	0	0	0
Net Income	0	0	0	0	0	0	0
Other Comprehensive Income	0	0	0	0	0	0	0
Comprehensive Income	0	0	0	0	0	0	0

TABLE 17

## Canada Housing Trust

Statement of Cash Flows (In Millions of Dollars)

Description	2007 Actual	2008 Estimate	2009	2010	2011	2012	2013
Cash Flows provided by (used in) Operating Activities	(197)	(529)	(473)	(629)	(497)	(526)	(509)
Cash Flows provided by (used in) Investment Activities	(26,115)	(24,247)	(40,941)	(34,523)	(22,195)	(18,545)	(15,302)
Cash Flows provided by (used in) Financing Activities	23,154	24,650	41,950	35,600	22,975	19,300	16,000
Increase (Decrease) in Cash and Cash Equivalents	(3,158)	(126)	536	448	283	229	189

TABLE 18

## Statement of Transactions with the Consolidated Revenue Fund (CRF)

Years Ending 31 December (In Millions of Dollars)

Description	2007 Actual	2008 Estimate	2009	2010	2011	2012	2013
<b>Cash Drawn from CRF</b>							
Borrowings, Lending Activity	0	4,004	1,817	2,367	1,954	973	1,598
Borrowings, Securitization Activity	0	25,000	100,000	0	0	0	0
Grants, Contributions and Subsidies	2,020	2,375	2,361	3,053	2,855	2,042	1,964
<b>Total Cash Drawn from CRF</b>	<b>2,020</b>	<b>31,379</b>	<b>104,178</b>	<b>5,420</b>	<b>4,809</b>	<b>3,015</b>	<b>3,562</b>
<b>Cash Paid to CRF</b>							
Repayment of Borrowings, Lending Activity	255	211	223	235	489	1,159	1,418
Repayment of Borrowings, Securitization Activity	0	0	0	0	0	0	25,000
Interest Paid on Borrowings	416	401	4,620	5,662	5,645	5,623	5,473
Other	514	572	356	610	686	599	633
<b>Total Cash Paid to CRF</b>	<b>1,185</b>	<b>1,184</b>	<b>5,199</b>	<b>6,507</b>	<b>6,820</b>	<b>7,381</b>	<b>32,524</b>
<b>Net Cash Drawn from CRF</b>	<b>835</b>	<b>30,195</b>	<b>98,979</b>	<b>(1,087)</b>	<b>(2,011)</b>	<b>(4,365)</b>	<b>(28,962)</b>

TABLE 19

## Statement of Transactions with the Consolidated Revenue Fund (CRF)

Fiscal Years Ending 31 March (In Millions of Dollars)

Description	2007/ 2008 Actual	2008/ 2009 Estimate	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014
<b>Cash Drawn from CRF</b>							
Borrowings, Lending Activity	0	2,240	2,395	2,567	1,413	1,019	1,354
Borrowings, Securitization Activity	0	75,000	50,000	0	0	0	0
Grants, Contributions and Subsidies	2,155	2,270	3,060	3,125	2,110	1,970	1,962
<b>Total Cash Drawn from CRF</b>	<b>2,155</b>	<b>79,510</b>	<b>55,454</b>	<b>5,692</b>	<b>3,524</b>	<b>2,989</b>	<b>3,316</b>
<b>Cash Paid to CRF</b>							
Repayment of Borrowings, Lending Activity	258	210	219	234	559	1,043	1,463
Repayment of Borrowings, Securitization Activity	0	0	0	0	0	0	25,000
Interest Paid on Borrowings	510	396	4,620	5,662	5,645	5,623	5,473
Other	514	571	356	610	686	598	633
<b>Total Cash Paid to CRF</b>	<b>1,282</b>	<b>1,178</b>	<b>5,195</b>	<b>6,506</b>	<b>6,890</b>	<b>7,264</b>	<b>32,569</b>
<b>Net Cash Drawn from CRF</b>	<b>873</b>	<b>78,332</b>	<b>50,259</b>	<b>(814)</b>	<b>(3,366)</b>	<b>(4,275)</b>	<b>(29,252)</b>





# APPENDIX B

## Glossary

### Terms related to CMHC Appropriation-based Programs and Tools

Aboriginal Capacity Development	CMHC facilitates the acquisition of tools in terms of knowledge, skills, training, and resources that will allow First Nations to work towards self-sufficiency in housing and take on more responsibility for the functioning of their community. Assistance is provided to First Nations housing institutions and individual housing providers to acquire the skills and knowledge to design, build, inspect, and manage housing on reserve.
Affordable Housing Initiative (AHI)	The vehicle through which the federal government, through CMHC, provides contributions to increase the supply of off-reserve affordable housing, in partnership with provinces and territories. Each provincial or territorial housing agency has designed its own housing programs (within certain terms and conditions) and is responsible for program delivery and administration, including the selection of housing projects that are chosen to receive AHI funding.
Agency for Co-operative Housing	An independent non-profit organization that delivers certain portfolio and default management services for federally-administered housing co-operatives in British Columbia, Alberta, Ontario and Prince Edward Island. As part of the service agreement signed with CMHC, the Agency provides information to co-operatives, assesses and takes action to mitigate risks, and monitors and seeks compliance with operating agreements.
Assisted Housing	The programs and services that help ensure the supply of affordable, adequate and suitable housing for Canadian households of low and moderate income, which are supported by parliamentary appropriation of approximately \$2 billion annually.
Core Housing Need	Households that occupy housing that falls below any of the dwelling adequacy, suitability or affordability standards, and which would have to spend 30 per cent or more of their before-tax income to pay for the median rent of alternative local market housing that meets all three standards, are said to be in core housing need.
CMHC Affordable Housing Centre	CMHC experts provide advice and guidance and information to assist with the development of affordable housing. Seed Funding and Proposal Development Funding are available to assist in the early stages of developing affordable housing. In addition, experts from the Affordable Housing Centre can provide information on mortgage loan insurance flexibilities that may be available for projects that meet CMHC's affordability criteria.
Direct Lending	CMHC provides low-cost loans directly to federally supported social housing sponsors seeking to refinance their housing projects and to First Nations to finance new housing production.
Equilibrium™ Sustainable Housing Demonstration Initiative	Equilibrium™ is a national housing initiative led by CMHC that brings the private and public sectors together to develop homes, and eventually communities, incorporating the principles of occupancy health and comfort, energy efficiency, renewable energy production, resource conservation, reduced environmental impact and affordability.



Terms related to CMHC Appropriation-based Programs and Tools	
Housing Subsidies Under Long-Term Commitments	CMHC assists households in need who cannot obtain housing in the private market through an array of social housing programs, including public housing, non-profit housing, rent supplement, rural and native housing, urban native housing and co-operative housing. No new commitments have been made off reserve under these programs since 1993.
Non-Profit Housing Program	A program which provides assistance to public or private non-profit organizations who agree to build or buy housing for low- and moderate-income households. New commitments are only being made on reserve.
Proposal Development Funding Loans	Interest-free loans which assist in the development of housing projects that can be produced with little or no government housing subsidy, except in the case where the proposal may involve a subsidized project on reserve.
Renovation programs	<b>Residential Rehabilitation Assistance Program (RRAP):</b> A program which provides financial assistance to low-income households who live on and off reserve to enable them to repair their homes, as well as to assist landlords to repair rental dwellings. <b>Shelter Enhancement Program (SEP):</b> A program which provides financial assistance to repair, rehabilitate and improve existing shelters, both on and off reserve, for adults, children and youth who are victims of family violence. The program also assists in the acquisition or construction of new shelters and second stage housing. <b>Emergency Repair Program (ERP):</b> A program which provides financial assistance to low-income homeowners or occupants in rural areas to undertake emergency repairs required for the continued safe occupancy of their house. <b>Home Adaptations for Seniors' Independence (HASI):</b> A program which provides financial assistance to low-income seniors on and off reserve to carry out minor adaptations to assist them to live independently in their own homes.
Seed Funding	Financial assistance offered to housing proponents who are in the early stages of developing an affordable housing project.
Social Housing Agreements	The 1996 Federal Budget offered provinces and territories the opportunity to take over the management of existing off-reserve long-term federal social housing resources in order to streamline administrative arrangements in social housing and encourage the best possible use of public funds. Provinces and territories which sign social housing agreements with the Government of Canada are subject to national principles and an accountability framework which ensure that targeted federal subsidies continue to be used for eligible households. CMHC has signed agreements with Ontario, Saskatchewan, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Yukon, Manitoba, Nunavut, and British Columbia. Approximately 80 per cent of social housing is now under provincial/territorial administration.
Terms related to CMHC Commercial Programs and Tools	
Canada Mortgage Bond (CMB)	A bond based on insured residential mortgage with a semi-annual coupon, at a fixed or floating rate, that pays principal at maturity. It is issued by the Canada Housing Trust (CHT) and guaranteed by CMHC.
CMHC Green Home	CMHC Green Home provides a 10 per cent insurance premium refund paid directly to the borrower when purchasing an energy efficient home or making energy efficient improvements. Extended amortization periods are also permitted on homeowner applications without an additional surcharge.
Multi-seller Pool Concept	The NHA MBS program processes pools of residential mortgages issued by Approved Lenders. The current pool structure calls for one Approved Lender (seller) for each individual pool. A multi-seller pool structure would involve more than one Approved Lender (multiple sellers) to back the same individual pool.
National Housing Act Mortgage-Backed Securities (NHA MBS)	A security which represents an undivided interest in a pool of residential mortgages insured under the NHA and which has the full guarantee of CMHC. The principal and interest paid by borrowers on the mortgages in an NHA MBS pool are paid to investors monthly. These payments can vary from month to month if, for example, borrowers make unscheduled payments, such as advance payments of principal on a mortgage. Securities under the NHA MBS program are issued by Approved Issuers (primarily lending institutions).





2009-2013

# SUMMARY OF THE CORPORATE PLAN



Since 1946, Canada Mortgage and Housing Corporation (CMHC) has touched millions of lives by providing credible housing information, and helping Canadians make better informed life changing decisions. Canadians rely on us to help find solutions to some of their fundamental housing needs.

*Am I ready to buy a home?*

*What home financing options exist for me?*

*How can I improve my home's air quality to help with my child's allergies?*

*How can I adapt my home to meet the needs of an elderly parent or family member with a physical disability?*

These are just some of the life situations that CMHC helps Canadians deal with daily.

In addition, CMHC provides the housing industry with insights, tools and information to ensure the Canadian housing system remains one of the best in the world. We work with other government partners to proactively reach Canadians and members of the housing industry through innovative media and web-based technologies. In 2008, CMHC's website received just under 6 million visits and our 1-800 call centre responded to over 65,000 requests for information. CMHC's comprehensive housing library, the Canadian Housing Information Centre, responded to over 11,000 inquiries on a range of topics including environmentally responsible building materials, statistical information on housing markets in Canada and the history of Canada's domestic architecture.

ISBN 978-1-100-12206-9



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